Auckland Council Group Interim Report

31 December 2024

Pūrongo Taupua a te Rōpū Kaunihera o Tāmaki Makaurau

31 o Hakihea 2024

Mihi

Nau mai e te tai Whakarunga e te Tai Whakararo
Nau mai e te tai Tama-wahine, e te tai Tama-tāne,
Nau mai ki Tāmaki i whakawhenuatia rā, i ngā waitapu
e rua nei arā ki a Waitematā i te Mānukanuka.
Koia i maea ake i te kōpū o Papatūānuku e takoto mai nei,
Tuia ki a Ranginui e tū iho nei.
Ko ngā aituā hoki tēnei e tangihia ana e tō tātou manu!
Hoki wairua mai, hara mai haere
Piki taku manu, kake taku manu ka tau me he manu-kau noa nei ē!
Ko koe te manuhiri kua tau,
Ko au te mana Kaunihera ka kī
Ko au, ko au, ko te Kaunihera o Tāmaki Makaurau!
Nau mai, Tautī mai, Whakatau mai nā.

Welcome the southern and northern tides, the tides of East and West.
Welcome to Tāmaki, the land born of the sacred waters
Waitematā and the Manukau
You who emerged from the womb of Papatūānuku laying
here and amalgamate with Ranginui above.
Those who have passed are lamented, called hither and then home.
Come forth, climb, or ascend, likened to birds that settle.
You are the visitor who has arrived. And the Kaunihera who say,
It is I, it is we, the members of Auckland Council!
Welcome, welcome, greetings to all.

◀ On the cover: Myers Park playground ▲ Pararaha Valley

About this document

The **Auckland Council Group Interim Report for the six months ended 31 December 2024** tells the story of what we did as the Auckland Council Group and how we performed over the past six months. Overall, the group's interim financial statements show a positive operating result, with the group investing to strengthen the physical resilience of Auckland and manage growth, while meeting its financial targets.

The **Interim Financial Statements** and **notes to the Interim Financial Statements** sections provide an overview of the group's financial results, cash flows and financial positions for the first half of the financial year. The notes to the financial statements contain detailed financial information as well as the relevant accounting policies, judgements and estimates applied in preparing the financial statements. The interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024.

To assist users to compare our financial statements to other entities, we summarise the most significant differences between the International Financial Reporting Standards (IFRS) and the Public Sector Standards (PBE) applied in preparing the financial statements in the **Main differences between IFRS and PBE Accounting Standards** section.

This document has been prepared in accordance with **New Zealand Generally Accepted Accounting Practice** and complies with **PBE IAS 34: *Interim Financial Reporting***. While the interim financial statements are unaudited, they have been subject to a review by **Audit New Zealand on behalf of the Auditor-General**.

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Te Rārangi Kaupapa

▲ Whau Splashy Bikers Nature Day

Message from the mayor

He karere nā te koromātua

I am pleased with the progress we have made over this 6-month period, but also since I took office back in 2022.

This half-year report is reflective of a shift in approach across the council group, one that is laser-focused on building both a physically resilient city and a financially resilient council organisation.

If I think back to the economic and financial woes the council found itself in post-Covid, and the horrors of 2023's Anniversary Weekend floods, it's impressive to see how far we have come. A lot can be attributed to us doing things better, faster and cheaper while making the most of our existing assets and infrastructure.

This interim report reflects us keeping our commitments and delivering on our Long-term Plan 2024-2034. While we invest record amounts in necessary infrastructure, we're keeping rates increases as low as possible, in fact, the lowest of any metropolitan city in New Zealand. Similarly, we're keeping on track with our savings target, achieving $43 million of the $66 million for the 2024/2025 financial year.

In the past six-months, we've established the Auckland Future Fund and completed a very successful transfer and sale of our shareholding in Auckland Airport. At the time of writing this, legislation had just been introduced to parliament to provide additional protection for the fund and future generations of Aucklanders. This is a huge milestone.

We have also worked well alongside government progressing and implementing important initiatives like balance sheet separation for Watercare, and legislative change to support transport reform. Both examples illustrate our ability to advocate for and deliver what is best for Auckland and its communities.

During this period, we have remained focused on providing value for money services Aucklanders expect. For example, the newly introduced $50 7-day public transport fare cap is proving to be a success with a weekly average of 5,370 users able to benefit from the initiative (as at 31 December 2024). This weekly cap offers public transport users a more cost-effective way to get to and from the places they need to go.

Of course, we should always be focused on continual improvement, and I expect the second half of this financial year will follow the same trajectory. During this time, we will find more efficiencies, fix issues we are still facing with our procurement policy, and most importantly, implement CCO reform to deliver better for Auckland.

Wayne Brown

Wayne Brown
Mayor of Auckland
26 February 2025

▲ Residential development, Silverdale

Message from the chief executive

He karere nā te tumu whakarae

Our interim results show Te Rōpū o Te Kaunihera o Tāmaki Makaurau – Auckland Council Group is delivering early wins on our Long-term Plan.

The council group has had a solid start to the 2024/2025 financial year, which demonstrates our commitment in the Long-term Plan 2024-2034 to delivering physical resilience for Auckland, while investing where it is needed most to manage growth.

I've been particularly pleased by the council group's ability to focus on supporting our communities with the services and programmes they need most. We have invested record amounts in assets such as roads, pipes and parks so far this financial year, to provide further services to Aucklanders and build a more resilient region.

Our region is expected to grow by 200,000 over the next decade – the equivalent of more than the size of Hamilton – and while this level of growth is really challenging, we're responding to it well.

With the effects of climate change becoming more frequent and severe in Auckland, it is important for us to build both physical and financial resilience that is future-proofed.

To that end, we established the Auckland Future Fund through selling our remaining airport shares to provide a first deposit into the fund. This fund will create long-term benefits for the Auckland region and protect the value of intergenerational financial investments.

Delivering for Aucklanders today

Alongside running the biggest capital programme ever – to set the region up for future challenges – we are also doing what we can for Aucklanders today, by providing services they need. During the first six months, this has included:

- delivering a $50 7-day public transport fare cap for buses, trains and inner-harbour ferries
- providing $127 million in grants to community organisations to support our residents' cultural and economic wellbeing
- opening up the city centre waterfront to Aucklanders, including the new Karanga Plaza Harbour Pool.

We have also been getting on with achieving savings targets, to help deliver value for rates.

At the end of December, 65 per cent of Auckland Council's budgeted annual savings had been achieved, as we work toward a $66 million savings target for the financial year. These savings keep rates and debt down and helped us deliver the lowest rates increases of any metropolitan council in the country.

Financial sustainability is a constant focus

It is important to us that the public has trust and confidence in the council's financial management, and I hope the positive results of the last six months support that. We are in a good place.

Revenue (which funds both capital investment and operating expenses) increased by 15 per cent relative to revenue at 31 December 2023. The increase reflects the general rates increase, capital grants for Risk Category 3 property buy-out and good results from services such as water and wastewater, port operations and consenting. It also includes the receipt of a section of the old State Highway 1 from Puhoi to Warkworth from New Zealand Transport Agency Waka Kotahi worth $230 million.

At the same time, operating expenditure increased 4 per cent. Our biggest increase was in depreciation costs from our expanding capital programme. Also, most other council group costs were negatively impacted by inflation.

Capital expenditure is on track, despite Risk Category 3 buy-out costs trending higher than originally forecast.

Overall, we're managing our costs and debt levels well, which builds on last year's positive results.

We know there's more to do

We're constantly striving to get the balance right – continuing to provide activities and services that our communities value, at a reasonable cost. That always-on emphasis on efficiency is paying off and we believe Aucklanders are getting the service they deserve, while keeping rates increases more affordable.

While there are some additional costs associated with Risk Category 3 buy-outs, we're managing it in part through reduced spend in other risk categories, proceeds from the sale of remediated properties and central government funding.

The Port of Auckland is helping overcome some of the financial challenges we face, as it is proving to be a sound investment and has answered the call for higher dividends.

As a council group, we remain committed to continuing to serve Aucklanders well and to progressing our commitments to the wellbeing of our people.

I must also acknowledge that our achievements to date wouldn't be possible without our excellent staff, who contributed significantly to the council group's strong results in the year to date. Collectively, we are progressing well and I'm excited about what the next six months will bring.

He aha te mea nui o te ao? He tangata! He tangata! He tangata!

What is the most important thing in the world? It is people! It is people! It is people!

Phil Wilson
Chief Executive
26 February 2025

Financial performance overview

Tirohanga mō te painga ā moni

Capital investment
$1.9b
Dec24 vs $1.4b Dec23

Net debt
$13.2b
Dec24 vs $12.3b Jun24

Total operating revenue
$5.4b
Dec24 vs $4.8b Dec23

Credit ratings
Moodys
Aa2
S&P Global
AA

Total assets
$77b
Dec24 vs $74b Jun24

Operating surplus
$2b
Dec24 vs $1.5b Dec23

▲ The Dust Palace's Te Kura Maninirau circus performance school

Financial performance overview

Tirohanga mō te pāinga ā moni

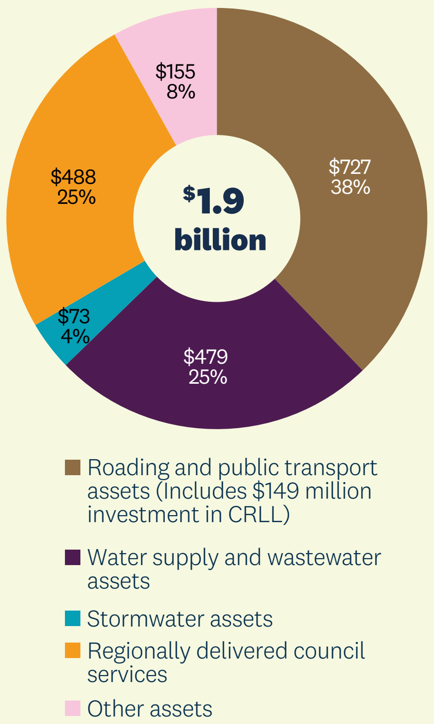
The first half of 2024/2025 was focused on investing to strengthen the financial and physical resilience of Auckland and manage growth.

Capital investment

We invested over $1.9 billion, a $474 million increase compared to the prior period[1]. The increase was mainly due to Risk Category 3 property buy-outs of $392 million and a larger capital spend on programmes set out in the Long-term Plan 2024-2034 (LTP).

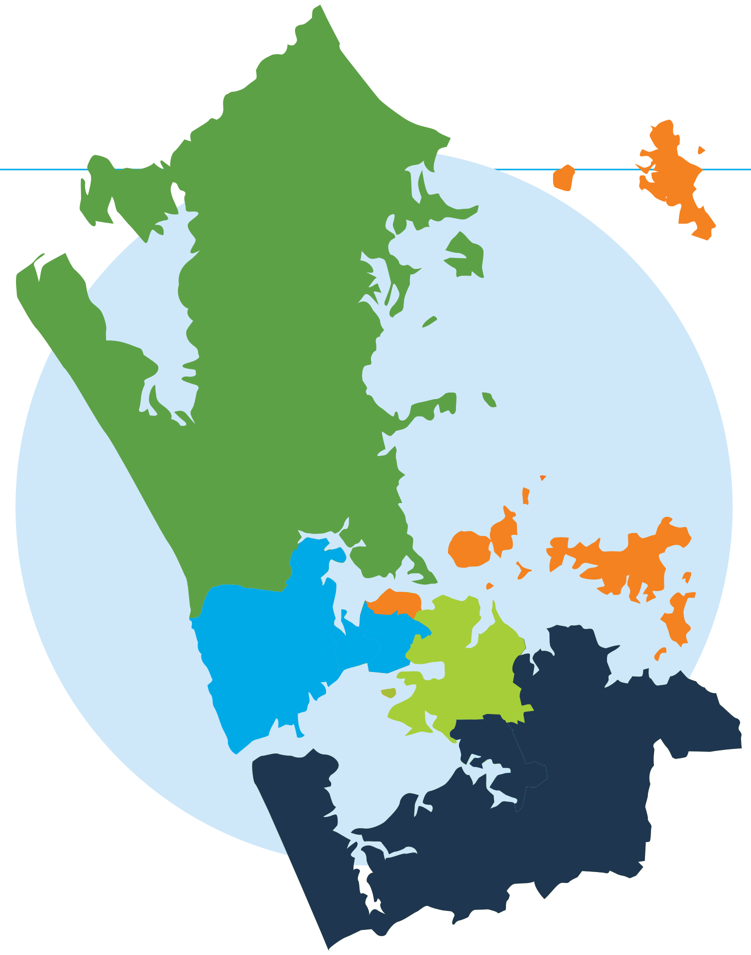
Capital investment by significant categories of group of activities was as follows.

Capital investment
($million)



[1] The prior period refers to the six months ended 31 December 2023.

Some of the major capital projects and milestones completed in the 6 months to 31 December 2024 were:



North Auckland

- **Hinemoa Terrace, Birkenhead** - substantial slip repair completed as part of **north urban flood recovery** progress.
- **Kahika wastewater upgrade** - 2-kilometre-long wastewater pipe installed to increase the resilience in the wastewater network and cater for growth in Beach Haven and Glenfield.
- The final connection of 1.75-kilometres-long pipe on the **East Coast Bays Link Sewer at Windsor Park** completed to handle increased volumes of wastewater pumped from the new Mairangi Bay Pump Station to the Rosedale Wastewater Treatment Plant.

West Auckland

- **Te Pae o Kura Kelston Community Centre** - upgrade and refurbishment completed and reopened for use as meeting, practice and performance space for the whole community.
- **Piha Domain** water treatment plant upgrade - a crucial piece of infrastructure for the local community completed.
- **Tui Glen Reserve** shared path upgrade project completed.
- **Point Chevalier Separation Stage 2** - Installation of the new stormwater main completed.

Southern Auckland

- **Hollyford Drive / Aspiring Avenue** intersection safety and cycling improvements completed.
- Two new watermains providing drinking water to the **Glenbrook Beach community** are in service.
- **Pukekohe Water Treatment Plant** brought back into service after it was severely damaged in the 2023 severe weather events. The treatment plant enabled the community to increase water usage by six million litres a day at a time when water demand is at its peak.

Central Auckland

- **Windmill Park** - park building renewed with newly upgraded kiosk space, toilet facilities, first aid room and storage.
- **Judges Bay wastewater upgrades** with excavation works for a new pump station completed and the installation of a new rising main underway.
- **The Main Highway, Ellerslie dynamic bus lane trial began** - the lane can be activated based on demand/real-time congestion rather than a fixed time period like other bus lanes.
- **Port of Auckland Outfall Upgrade** completed. This improves the stormwater network and mitigates significant flooding risk at Britomart.

East Auckland

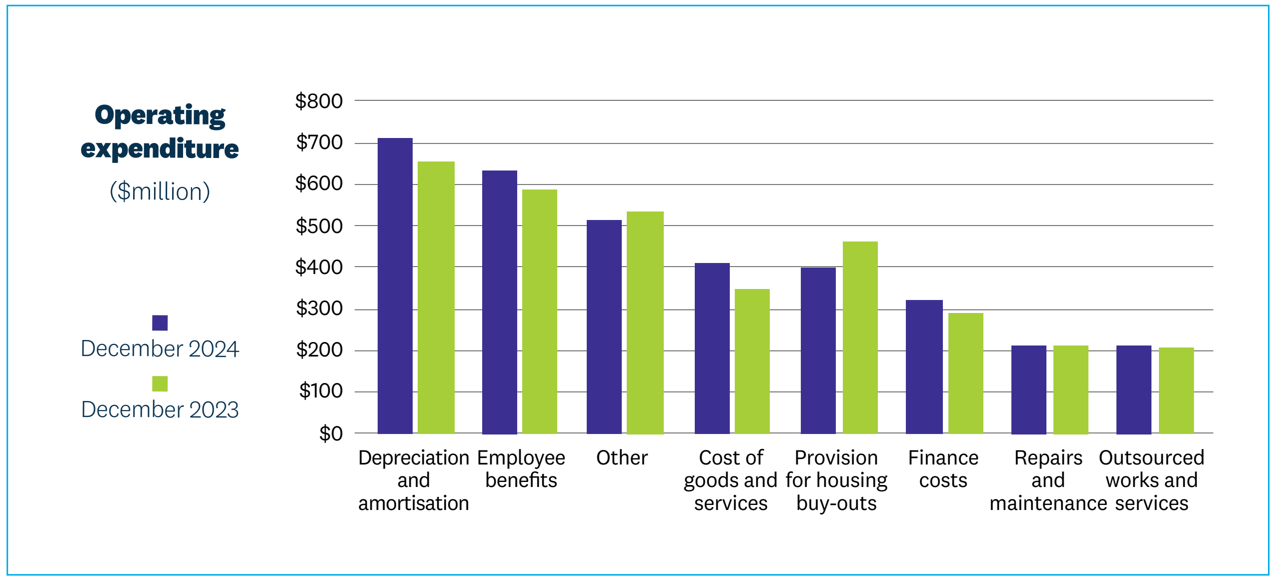
- **Eastern Busway** - new bus station at Botany Town Centre opened to provide immediate benefits for the community.
- The **Dunkirk Wastewater Pump Station** and the 1.4-kilometre gravity sewer main entered service which plays a significant role in reducing overflows into the Tāmaki River during wet weather.
- Links to **Glen Innes Cycleways** - construction work on College Road and Stonefields Avenue completed.

Region wide

- **Central Interceptor** - Tunnel Boring Machine broke through into a shaft in Western Springs marking the three-quarter mark for the Central Interceptor Tunnel. The southern half of the Central Interceptor went live subsequent to reporting date.
- **Road acquisition** of the old, and now revoked, section of State Highway 1 between Puhoi and Warkworth by Auckland Transport.
- **Low Emission Ferry Programme** - fourth vessel refitted and now in operation.
- **City Rail Link (CRL)** - the overhead line equipment (which carries traction power that powers the trains) in the CRL tunnels and switch rooms at Waitematā Station (Britomart) have been commissioned.
- **Contactless payment for public transport** went live on 17 November 2024. There have been 1 million contactless payment trips up to 20 January 2025 following the implementation date. 13 per cent of public transport customers were using the contactless payment.

Operating expenditure

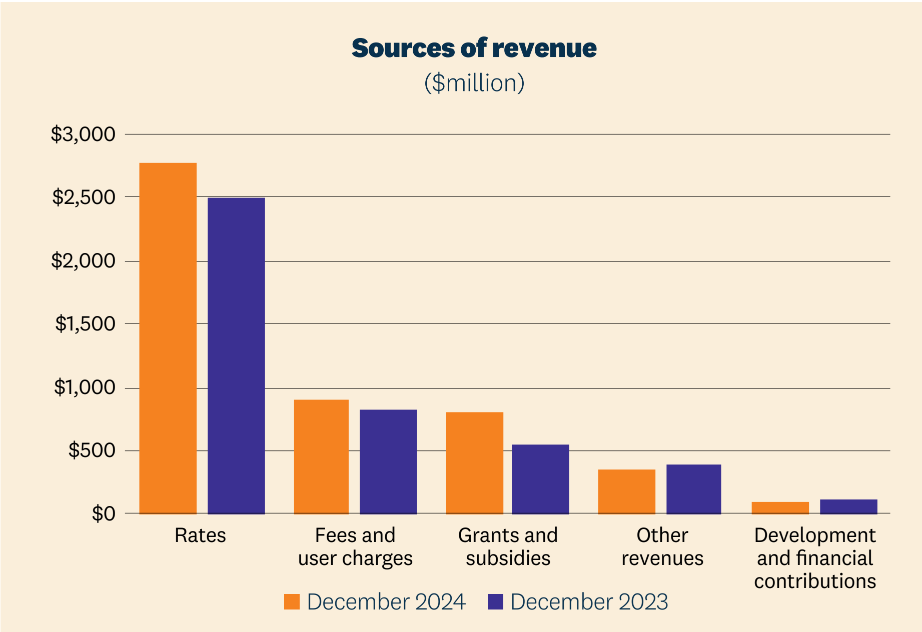
We incur operating expenditure as we deliver services to Aucklanders, maintain and operate our assets and administer our programmes and activities. Increased depreciation and amortisation expenses, labour costs and borrowing costs have contributed to a $119 million increase in operating expenditure to $3,405 million. Operating expenditure compared to the prior period is shown below.



Funding

We fund our capital programmes and services using a mixture of revenue and debt. During the six months to 31 December 2024, net debt increased by $965 million which was primarily used to fund capital projects. At 31 December 2024 the group's net debt was $13.2 billion compared to total assets of $77 billion.

Sources of revenue during the six months compared to the prior period are shown in the adjacent graph.



Funding (continued)

Rates were $262 million higher than the prior period at $2,762 million, mainly due to an increase in general rates (6.8 per cent for the average value residential property). This increase in rates is being used to address inflationary pressures and higher interest rates, a growing population which increases demand for services and infrastructure, increased asset maintenance on a growing asset base, increased spend on climate change initiatives, response to storms and other natural disasters, and continuing to build Auckland's financial and physical resilience.

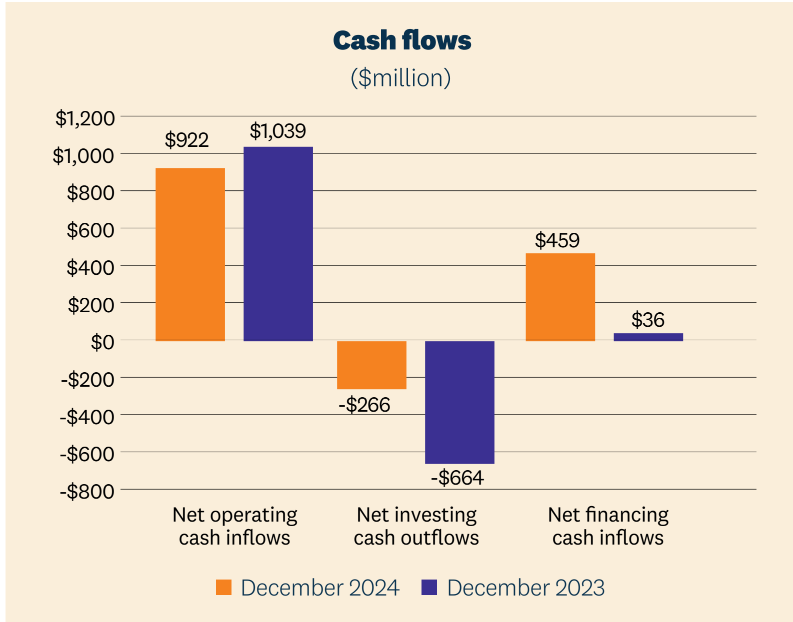
Further, there is a $162 million increase in vested assets revenue, mainly due to the receipt of a section of the old State Highway 1 between Puhoi and Warkworth from New Zealand Transport Agency Waka Kotahi (NZTA). Grants and subsidies increased by $255 million consisting of $196 million of grants received from the central government for buying out Risk Category 3 properties, and an increase of $91 million of subsidies received for transport projects.

Fees and user charges increased by $78 million to $900 million, reflecting increasing public transport use, increased Port revenues and a greater volume of higher values consents.

Cash flows

Net operating cash inflows decreased by $117 million. This is mainly because the cash paid for Risk Category 3 properties that is in excess of the property's value to the council, is included as a loss in operating cash flows. The number and value of settlements are higher compared to the prior period.

The council's remaining shares in Auckland International Airport Limited (AIAL) were transferred to Auckland Future Fund (AFF) in December 2024 and sold for $1.32 billion. AFF will use the sale proceeds to diversify the council's major financial investments across different sectors and geographic regions, with expected stronger annual returns to council to help fund services and infrastructure. The number of shares sold was higher than those sold in the prior period (163 million compared to 103 million in the prior period) which contributed to the reduction of cash outflow from investing activities by $398 million when compared to the prior period.



Due to funding requirements in early 2025, debt was raised towards the end of the six month period increasing financing cash inflows by $423 million more than the prior period. In the prior period, the proceeds from the sale of AIAL shares were used to repay some of the council's borrowings and this reduced cash inflows from financing activities.

Cash flows are summarised in the graph above.

Looking ahead

This period represents the first six months of the LTP, where the council performed well financially amid ongoing challenges from the effects of the 2023 weather events and difficult economic conditions. Overall, the half-year results are in line with expectations and show that the council is delivering on its plans to prioritise services and programmes where they are needed most, while maximising our own resources to ensure continued prudence and value for money. We remain focused on delivering for Aucklanders, the activities and services required for a growing city.

Financial statements

Ngā tauākī ā-pūtea

Road Sealing along Kaipara Flats Road ▲

Statement of comprehensive revenue and expenditure

Te tauākī mō te tōtōpūtanga o ngā pūtea whiwhi, o ngā whakapaunga pūtea hoki

For the six months ended 31 December 2024

$Million	Note	Unaudited 6 months to 31 Dec 2024	Unaudited 6 months to 31 Dec 2023
Revenue	A1		
Rates		2,762	2,500
Fees and user charges		900	822
Grants and subsidies		811	556
Development and financial contributions		93	121
Other revenue		331	374
Vested assets revenue		521	359
Finance revenue from financial assets at amortised cost		21	17
Finance revenue from financial assets at fair value through surplus or deficit		2	2
Total revenue excluding other gains		**5,441**	**4,751**
Expenditure			
Employee benefits expense		631	585
Depreciation and amortisation		711	653
Grants, contributions and sponsorship		135	138
Other operating expenses		1,607	1,619
Finance costs		321	291
Total expenditure excluding other losses		**3,405**	**3,286**
Operating surplus before other gains and losses		**2,036**	**1,465**
Net other gains/(losses)	A2	(281)	(75)
Share of net surplus/(deficit) of associates and joint ventures	A3	(29)	(7)
Surplus before income tax		**1,726**	**1,383**
Income tax expense		49	23
Surplus after income tax		**1,677**	**1,360**
Other comprehensive revenue/(expenditure)			
Net (losses)/gains on revaluation of property, plant and equipment		(2)	1
Tax on revaluation of property, plant and equipment		-	1
Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure	A4	83	(48)
Total other comprehensive revenue/(expenditure)		**81**	**(46)**
Total comprehensive revenue		**1,758**	**1,314**

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

Statement of financial position

Te tauākī mō te tūāhua pūtea

As at 31 December 2024

$Million	Note	Unaudited 31 Dec 2024	Audited 30 Jun 2024
Assets			
Current assets			
Cash and cash equivalents	B2	1,731	616
Receivables and prepayments	B3	2,120	764
Derivative financial instruments	B4	118	13
Other financial assets	B5	75	139
Inventories		42	41
Non-current assets held-for-sale		171	176
Total current assets		**4,257**	**1,749**
Non-current assets			
Receivables and prepayments	B3	88	88
Derivative financial instruments	B4	449	551
Other financial assets	B5	196	1,361
Property, plant and equipment	B1	68,965	67,697
Intangible assets		469	479
Investment property		661	657
Investment in associates and joint ventures		1,920	1,803
Other non-current assets		10	9
Total non-current assets		**72,758**	**72,645**
Total assets		**77,015**	**74,394**
Liabilities			
Current liabilities			
Payables and accruals		1,274	1,304
Employee benefits		134	126
Borrowings	B6	1,588	1,371
Derivative financial instruments	B4	2	7
Provisions	B7	549	375
Total current liabilities		**3,547**	**3,183**
Non-current liabilities			
Payables and accruals		217	197
Employee benefits		5	5
Borrowings	B6	12,089	11,546
Derivative financial instruments	B4	542	569
Provisions	B7	615	700
Deferred tax liabilities		2,618	2,570
Total non-current liabilities		**16,086**	**15,587**
Total liabilities		**19,633**	**18,770**
Net assets		**57,382**	**55,624**
Equity			
Contributed equity		26,693	26,693
Accumulated funds		9,553	7,564
Reserves		21,136	21,367
Total equity		**57,382**	**55,624**

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

Statement of changes in equity

Te tauākī mō ngā panonitanga o te tūtanga

For the six months ended 31 December 2024

1 July 2024 to 31 December 2024 Unaudited $Million	Contributed equity	Accumulated funds	Reserves	Total equity
Balance as at 1 July 2024	**26,693**	**7,564**	**21,367**	**55,624**
Surplus after income tax	-	1,677	-	1,677
Other comprehensive revenue	-	-	81	81
Total comprehensive revenue	**-**	**1,677**	**81**	**1,758**
Transfers to/(from) reserves (Note A4)	-	312	(312)	-
Balance as at 31 December 2024	**26,693**	**9,553**	**21,136**	**57,382**

1 July 2023 to 31 December 2023 Unaudited $Million	Contributed equity	Accumulated funds	Reserves	Total equity
Balance as at 1 July 2023	**26,693**	**6,803**	**22,055**	**55,551**
Surplus after income tax	-	1,360	-	1,360
Other comprehensive expenditure	-	-	(46)	(46)
Total comprehensive revenue	**-**	**1,360**	**(46)**	**1,314**
Transfers to/(from) reserves	-	102	(102)	-
Balance as at 31 December 2023	**26,693**	**8,265**	**21,907**	**56,865**

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

▲ Judges Bay wastewater upgrades

Statement of cash flows

Te tauāki mō te whiwhinga mai me te whakapaunga o te moni

For the six months ended 31 December 2024

$Million	Note	Unaudited 6 months to 31 Dec 2024	Unaudited 6 months to 31 Dec 2023
Cash flows from operating activities			
Receipts from rates revenue*		1,327	1,190
Receipts from grants and other services*		2,377	2,060
Interest received		17	16
Dividends received		13	10
Payments to suppliers, employees and third parties		(2,508)	(1,993)
Interest paid		(302)	(244)
Advances to external parties		(2)	-
Net cash inflow from operating activities	**C2**	**922**	**1,039**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, investment property and intangible assets		9	4
Acquisition of property, plant and equipment, investment property and intangible assets		(1,440)	(1,285)
Acquisition of other financial assets		(26)	(59)
Proceeds from sale of other financial assets		1,339	859
Investment in joint ventures		(147)	(180)
Insurance recoveries for damaged assets		2	-
Advances to external parties		(3)	(3)
Net cash outflow from investing activities		**(266)**	**(664)**
Cash flows from financing activities			
Proceeds from borrowings		1,419	2,411
Repayment of borrowings		(972)	(2,412)
Receipts from derivative financial instruments		1,403	258
Payment for derivative financial instruments		(1,390)	(220)
Repayment of finance lease principal		(1)	(1)
Net cash inflow from financing activities		**459**	**36**
Net increase in cash and cash equivalents		**1,115**	**411**
Opening cash and cash equivalents		616	80
Closing cash and cash equivalents		**1,731**	**491**

*Receipts from rates revenue and Receipts from grants and other services were reported together in a single disclosure line in the prior period. They have now been restated to be split into separate lines for better presentation.

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

Notes to the financial statements

He pito kōrero mō ngā Tauākī Pūtea

Basis of reporting

Auckland Council (the council) is a local authority domiciled in New Zealand and governed by the following legislation:

- Local Government Act 2002 (LGA 2002);
- Local Government (Auckland Council) Act 2009 (LGACA 2009); and
- Local Government (Rating) Act 2002.

The council is a Financial Markets Conduct Reporting Entity under the Financial Markets Conduct Act 2013 (FMCA 2013).

The council's principal address is 135 Albert Street, Auckland Central, New Zealand.

The Auckland Council Group (the group) consists of the council, its subsidiaries, associates, and joint ventures. All entities are domiciled in New Zealand.

Significant council-controlled organisations and subsidiaries comprise:

- Auckland Future Fund (AFF)
- Auckland Transport
- Eke Panuku Development Auckland Limited
- Port of Auckland Limited
- Tātaki Auckland Unlimited Limited
- Tātaki Auckland Unlimited Trust
- Watercare Services Limited

AFF comprises Auckland Future Fund Trustees Limited (incorporated on 24th September 2024), and Auckland Future Fund (a trust, formed on 27th September 2024).

The primary objective of the group is to provide services and facilities to the Auckland community for public benefit rather than to make a financial return. Accordingly, the council has designated itself and the group as public benefit entities (PBEs) and applies New Zealand Tier 1 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand environment.

Statement of compliance

These interim financial statements for the six months ended 31 December 2024 have been prepared for the group only and are to be read in conjunction with the annual report for the year ended 30 June 2024. They are prepared in accordance with New Zealand Generally Accepted Accounting Practice and they comply with PBE IAS 34 *Interim Financial Reporting*.

The interim financial statements for the six-month period ended 31 December 2024 are unaudited, however they have been subject to a review on behalf of the Auditor-General, pursuant to the NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*.

Basis of preparation

The interim financial statements are presented in New Zealand dollars (NZD), which is the functional currency of each of the group's entities and are rounded to the nearest million dollars unless otherwise stated. All items in the interim financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables which include GST.

The interim financial statements have been prepared on a going concern basis and the accounting methodologies and policies applied are consistent with those used for the year ended 30 June 2024.

Significant judgements and estimates

The preparation of the interim financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the particular circumstances. Judgements and estimates which are considered material to understand the performance of the group and the council are found in the following notes:

Significant judgements and estimates (continued)

Note B1: Property, plant and equipment
Note B4: Derivative financial instruments
Note B7: Provisions for Risk Category 3 property buy-outs
Note B7: Provisions for weathertightness

Accounting standards issued but not yet effective

The group will adopt the following accounting standards in the reporting period after the effective date.

2024 Omnibus Amendments to PBE Standards, issued October 2024

The 2024 Omnibus Amendments include updates to PBE IPSAS 1 *Presentation of Financial Reports* to clarify the principles for classifying a liability as current or non-current. The amendments are effective from reporting periods beginning on or after 1 January 2026. The group has not assessed the effect of the amendments in detail.

PBE IFRS 17 Insurance Contracts

PBE IFRS 17 *Insurance Contracts* for public sector entities was issued in June 2023. This standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The group has not assessed the effect of the new standard in detail.

Significant accounting policies

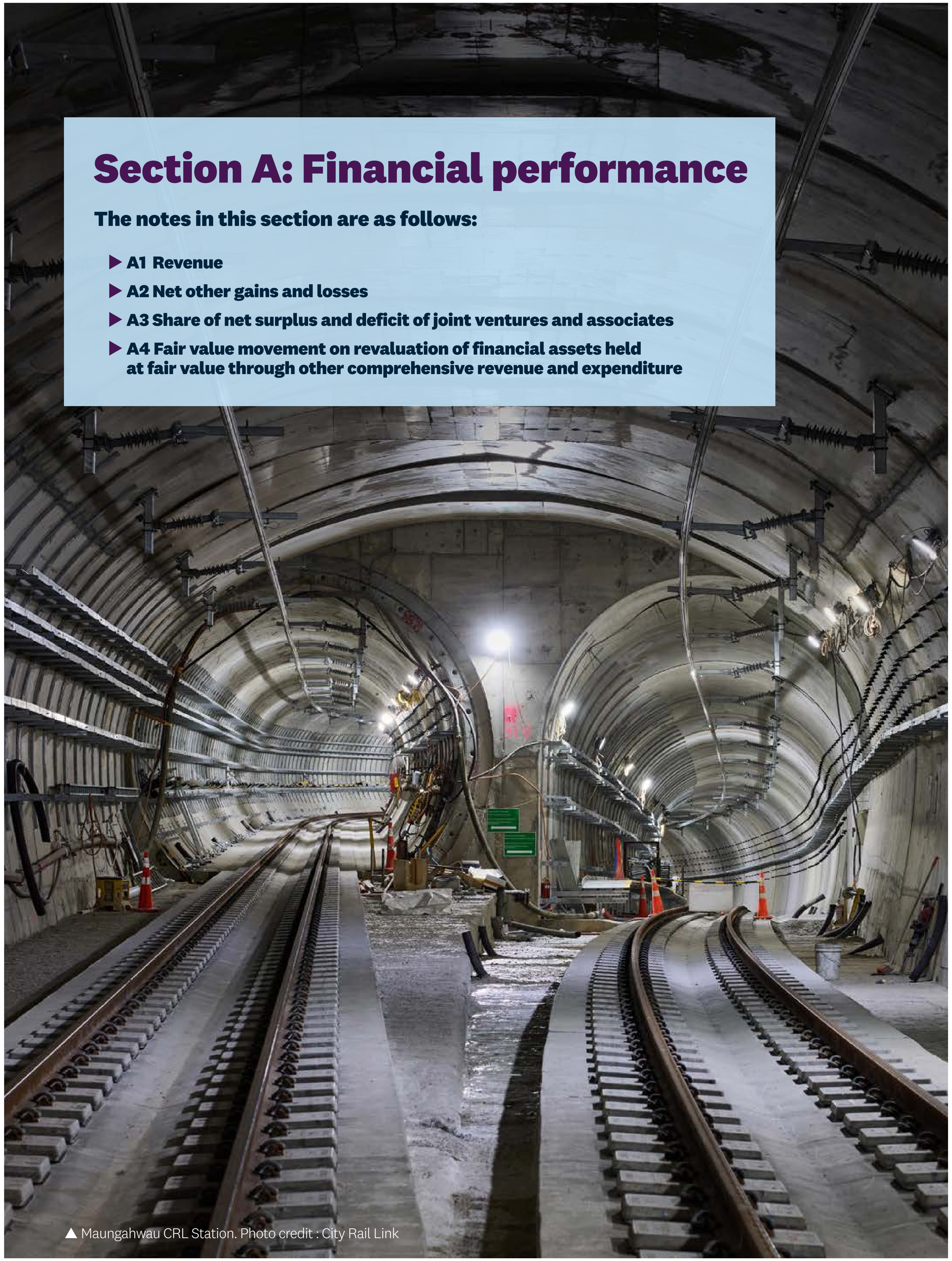
Accounting policies that are considered critical to the portrayal of the group's financial condition and results, and contain judgements, estimates and assumptions about matters that are inherently uncertain have been included in the notes to these interim financial statements. These accounting policies are consistent with those applied in the comparative information.

▼ Te Waihorotiu CRL Station. Photo credit : City Rail Link

Section A: Financial performance

The notes in this section are as follows:

- **A1 Revenue**
- **A2 Net other gains and losses**
- **A3 Share of net surplus and deficit of joint ventures and associates**
- **A4 Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure**



▲ Maungahwau CRL Station. Photo credit : City Rail Link

A1 Revenue

Rates are set annually by resolution of the council and relate to a particular financial year in accordance with the Local Government (Rating) Act 2002. Rates comprise general and targeted rates and are stated net of rates remissions.

Rates revenue is recognised in full at the date of issuance of ratings notices and is measured at the present value of cash received or receivable at the beginning of the financial year. Rates were $262 million higher than 31 December 2023 mainly due to a 6.8 per cent increase for an average-value residential property and an 8.39 per cent increase for an average-value business property. This increase in rates is being used to address inflationary pressures and higher interest rates, a growing population which increases demand for services and infrastructure, increased asset maintenance on a growing asset base, increased spend on climate change initiatives, response to storms and other natural disasters, and continuing to build Auckland's financial and physical resilience.

Grants and subsidies increased by $255 million consisting of $196 million of grants received from the central government for buying out Risk Category 3 properties, and an increase of $91 million of subsidies received for transport projects.

During the six-month reporting period, there is an increase in vested assets revenue from the Crown mainly due to revocation of a section of the old State Highway 1 between Puhoi and Warkworth from NZTA of $230 million. Other than that, sources of revenue are consistent with prior periods.

A2 Net other gains and losses

The group uses derivative contracts to increase the certainty of interest costs over multiple time periods. It also uses derivative contracts to lock in foreign currency rates on our borrowings that are denominated in foreign currency. Hedging reduces the exposures from exchange rates and interest rates which enables us to execute our planned expenditure programmes with confidence.

Derivative contracts are recognised at their fair value at reporting date, which results in unrealised gains or losses. These gains or losses are considered unrealised because the derivative contracts are still in effect at the reporting date. They do not represent actual cash flows that occurred during the reporting period.

$Million	Unaudited 6 months to 31 Dec 2024	Unaudited 6 months to 31 Dec 2023
Net foreign exchange (losses)/gains recognised in surplus on financial instruments held at amortised cost	(321)	50
Net gains/(losses) on change in fair value of derivative financial instruments	53	(129)
Other net (losses)/gains	(13)	4
Total net other gains/(losses)	**(281)**	**(75)**

The net foreign exchange losses on financial instruments held at amortised cost of $321 million were a result of valuing foreign currency borrowings at market exchange rates on 31 December 2024.

Derivatives had net gains in fair value of $53 million. This includes gains of $328 million from foreign exchange movements and losses of $275m from lower market interest.

Other net losses of $13 million related to losses on disposals of property, plant and equipment.

A3 Share of net surplus and deficit of joint ventures and associates

City Rail Link Limited (CRLL) is a Crown entity co-funded by the central government and the council. It was created for the purpose of designing and constructing an underground rail line linking Britomart and the city centre with the existing western line near Mount Eden. The council is committed to funding 50 per cent of the $5.5 billion project.

Constructed assets will be owned by the sponsors and related entities such as KiwiRail and Auckland Transport, however, the split of assets is yet to be decided.

A4 Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure

The fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure includes the current year gain of $85 million up to the point of the sale of the council's remaining AIAL shares. Upon selling the remaining AIAL shares in December 2024, the council transferred the total cumulative gain of $341 million from the revaluation reserve to accumulated funds.

Section B: Financial position

The notes in this section are as follows:

- ▶ B1 Property, plant and equipment
- ▶ B2 Cash and cash equivalents
- ▶ B3 Receivables and prepayments
- ▶ B4 Derivative financial instruments
- ▶ B5 Other financial assets
- ▶ B6 Borrowings
- ▶ B7 Provisions

▲ Building inspector inspects a site in Clevedon

B1 Property, plant and equipment

Accounting policy

The property, plant and equipment of the group are classified into three categories:

- **Infrastructure assets** include land under roads and systems and networks integral to the city's water and transport infrastructure. These assets are intended to be maintained indefinitely, even if individual assets or components are replaced or upgraded.
- **Operational assets** include property, plant and equipment used to provide core council services, either as a community service, for administration, or as a business activity. Other operational assets include landfills, motor vehicles, office equipment, library books, furniture and fittings.
- **Restricted assets** include property and improvements where the use or transfer of title outside the group or the council is legally restricted.

Initial recognition and subsequent measurement

Property, plant and equipment is initially recognised at cost, unless acquired through a non-exchange transaction, in which case the asset is recognised at fair value at the date of acquisition. The cost of third party constructed assets generally comprises the sum of costs invoiced by the third party. The cost of self-constructed assets comprises purchase costs, time allocations and excludes, where material, any abnormal costs and internal surpluses.

Subsequent costs that extend or expand the asset's future economic benefits and service potential are capitalised. After initial recognition, certain classes of property, plant and equipment are revalued. Work in progress is recognised at cost less impairment, if any, and is not depreciated.

Useful lives

The useful lives used to calculate the depreciation of property, plant and equipment are as follows:

Asset class	Estimated useful life (years)	Asset class	Estimated useful life (years)
Infrastructure		**Operational (continued)**	
Land and road formation	Indefinite	Bus stations and shelters	18 to 60
Roads	5 to 100	Marinas	9 to 45
Water and wastewater	5 to 200	Rolling stock	10 to 35
Machinery	5 to 200	Wharves	10 to 100
Stormwater	12 to 132	Works of art	13 to indefinite
Other infrastructure	10 to 69	Other operational assets	1 to 50
		Other operational assets (Risk Category 3 properties)	Indefinite
Operational			
Land	Indefinite	**Restricted**	
Buildings	10 to 100	Parks and reserves	Indefinite
Specialised sporting and cultural venues	3 to 100	Buildings	5 to 100
Specialised sporting and cultural venues (land)	Indefinite	Improvements	3 to 87
Train stations	9 to 100	Specified and cultural heritage assets	Indefinite

Disposals

Gains and losses on the disposal of property, plant and equipment are recognised in surplus or deficit. Any amounts included in the asset revaluation reserve in respect of the disposed assets are transferred to accumulated funds on disposal.

B1 Property, plant and equipment (continued)

Accounting policy (continued)

Impairment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of property, plant and equipment exceeds its recoverable amount. Any impairment loss is recognised immediately in surplus or deficit unless the asset is revalued, in which case any impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When previously recognised impairment indicator no longer exists, the recoverable amount is re-assessed and impairment loss is reversed.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost.

Damaged assets

Damaged assets are impaired to their recoverable service amount based on their value in use, using the restoration cost approach. This is determined by reference to the depreciated replacement cost of the assets less the costs to repair the damage.

Carrying value determination	Where impairment loss is recognised
Cost	Net other gains or losses, in surplus or deficit.
Revalued amount	Other comprehensive revenue to the extent that it does not exceed the amount in the revaluation surplus for the class of asset. Any excess is recognised in Net other gains or losses, in surplus or deficit.

Costs to repair assets

Costs to repair damaged assets are recognised in surplus or deficit within other operating expenses when incurred. Costs that renew the entire asset or improve the economic benefits or service potential of an asset are capitalised. For assets that have been impaired on a restoration cost approach, subsequent costs incurred to restore damaged assets to their original condition is capitalised unless the damage is minor and service potential of the assets are unaffected.

Revaluation

Infrastructure assets (except land under roads), restricted assets (except improvements and specified cultural and heritage assets) and operational assets (except other operational assets) undergo a full revaluation with sufficient regularity, and at least every five years to ensure that their carrying amounts do not differ materially from fair value. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then those asset classes are revalued. Revaluations are accounted for on an asset class basis.

Net revaluation gains are recognised in other comprehensive revenue and expenditure and are accumulated in the asset revaluation reserve in equity for each class of asset. Revaluation losses that result in a debit balance in an asset class's revaluation reserve are recognised in surplus or deficit. Any subsequent gain on revaluation is recognised first in surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expenditure.

$Million	Unaudited 6 months to 31 Dec 2024	Audited 12 months to 30 Jun 2024
Additions	1,904	3,370
Net disposals	(36)	(106)
Capital commitments	2,428	2,665
Share of joint ventures' (CRLL) capital commitments	191	284

There are no material differences between the carrying values and the fair values of property, plant and equipment as at 31 December 2024.

B2 Cash and cash equivalents

$Million	Unaudited As at 31 Dec 2024	Audited As at 30 Jun 2024
Cash at bank and on hand	266	271
Short-term deposits (original maturity < 91 days)	1,465	345
Cash and cash equivalents	**1,731**	**616**

Cash and cash equivalents increased by $1,115 million to $1,731 million at 31 December 2024, compared to $616 million at 30 June 2024. This was mainly driven by $1,319 million of cash proceeds received from the sale of the council's remaining AIAL shares at $8.08 per share, which settled on 9 December 2024. Following the sale, the AFF placed $1,310 million in 90-day term deposits. These short-term deposits have been ring-fenced to be available for investments and will be invested once AFF's investment strategy is finalised.

B3 Receivables and prepayments

$Million	Unaudited As at 31 Dec 2024	Audited As at 30 Jun 2024
Rates receivable	1,548	113
Other receivables	550	652
Prepayments	110	87
Total receivables and prepayments	**2,208**	**852**

Rates receivable increased by $1,435 million due to the unpaid portion of annual rates revenue. Rates revenue is recognised in full when rates notices are issued. This revenue is mainly received by council in quarterly instalments. Refer to Note A1 for explanation on recognition of rates revenue.

Other receivables decreased by $102 million which was mainly driven by the group's net GST balance being a liability compared to $84 million GST receivable at 30 June 2024. This is also due to annual rates revenue being recognised in full when rates notices are issued.

B4 Derivative financial instruments

Accounting policy

The group uses derivative financial instruments, such as forward foreign currency contracts and interest rate swaps, to reduce risks associated with foreign currency and interest rate fluctuations. The group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are recognised in surplus or deficit.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and derivative liabilities are classified as current when the maturity is 12 months or less from balance date or non-current when the maturity is more than 12 months from balance date.

As noted in A2 Net other gains and losses, the group enters into derivative financial instrument contracts to hedge against interest rate and foreign exchange movements. This is done in accordance with approved financial risk management policies.

B4 Derivative financial instruments (continued)

The fair values by derivative type are shown in the following table.

$Million Fair value	Unaudited As at 31 Dec 2024 Assets	Unaudited As at 31 Dec 2024 Liabilities	Audited As at 30 Jun 2024 Assets	Audited As at 30 Jun 2024 Liabilities
Cross-currency interest rate swaps	387	262	172	482
Interest rate swaps	176	282	389	88
Basis swaps	2	-	3	-
Forward foreign currency contracts	2	-	-	6
Total derivative financial instruments	**567**	**544**	**564**	**576**

Derivatives moved from a net liability of $12 million at 30 June 2024 to a net asset of $23 million as a result of net fair value gains driven by market movements in interest rates and foreign exchange.

The notional value of a derivative is the nominal or face amount that is used to calculate payments made on that derivative. The notional value shows the extent of the group's hedging activities.

The notional values by derivative type are shown in the following table.

$Million Notional value	Unaudited As at 31 Dec 2024 Assets	Unaudited As at 31 Dec 2024 Liabilities	Audited As at 30 Jun 2024 Assets	Audited As at 30 Jun 2024 Liabilities
Cross-currency interest rate swaps	4,338	2,316	1,725	4,752
Interest rate swaps	4,965	9,879	10,533	3,330
Basis swaps	358	-	358	-
Forward foreign currency contracts	146	15	-	198
Total derivative financial instruments	**9,807**	**12,210**	**12,616**	**8,280**

The notional value of derivatives increased by $1.1 billion largely due to entering into new Interest rate swap contracts. Liabilities increased by $3.9 billion and assets decreased by $2.8 billion as a result of new and matured contracts and hedging contracts being reclassified between assets and liabilities based on their fair values which are driven by market interest rate and foreign exchange movements.

B5 Other financial assets

$Million	Unaudited As at 31 Dec 2024	Audited As at 30 Jun 2024
Short-term deposits	21	21
Other current financial assets*	54	118
Total current other financial assets	**75**	**139**
Listed shares	27	1,262
Other non-current financial assets*	169	99
Total non-current other financial assets	**196**	**1,361**
Total other financial assets	**271**	**1,500**

* Self-insurance fund investments of $69 million (June 2024: $60 million) were reclassified from other current financial assets to other non-current financial assets as at 31 December 2024 to reflect the Group's investment intention.

Other financial assets decreased since 30 June 2024 mainly due to a reduction in listed shares following the sale of the council's remaining shares in AIAL (Refer to Note A4 and B2).

B6 Borrowings

Accounting policy

Borrowings are initially recognised at face value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Foreign currency borrowings are translated into NZD using the spot rates at reporting date. Foreign exchange gains and losses resulting from the settlement of borrowings and from translation are recognised in the surplus or deficit.

Current borrowings are debts expected to be repaid within a year, including bank overdraft, short term loans and other similar obligations. Non-current borrowings refer to debts not due for repayment within a year.

The movement of net debt of the group is as follows:

$Million	Unaudited As at 31 Dec 2024	Audited As at 30 Jun 2024
Borrowings	13,677	12,917
Less cash and cash equivalents (excludes AFF)*	(412)	(616)
Less short-term deposits (original maturity > 90 days)	(20)	(21)
Net debt (Total borrowings less cash and cash equivalents and term deposits)	**13,245**	**12,280**

*Cash and cash equivalents above exclude the short term deposits held by AFF (the cash proceeds from the sale of AIAL shares). The funds are ring-fenced and will be invested once AFF's investment strategy is finalised. (Refer to Note B2)

Net debt increased by $965 million from 30 June 2024 to fund our capital programme. Sources of this increase were offshore borrowings of $481 million and floating rate notes of $275 million. Offshore borrowings were impacted by unfavourable market movements in foreign exchange rates, resulting in unrealised foreign exchange losses of $303 million on the council's offshore debt. These losses are non-cash in nature.

There were no defaults or breaches of any borrowing arrangement during the period (30 June 2024: nil).

B7 Provisions

Accounting policy

Provisions are recognised in the statement of financial position where the group has a present legal or constructive obligation as a result of past events, and where it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in surplus or deficit.

$Million	Unaudited As at 31 Dec 2024	Audited As at 30 Jun 2024
Risk Category 3 property buy-outs	615	523
Weathertightness and associated building defect claims	252	263
Contaminated land and closed landfills	223	222
Other	74	67
Total provisions	**1,164**	**1,075**

B7 Provisions (continued)

Provision for Risk Category 3 property buy-outs and Risk Category 2P property grants

The provision for Risk Category 3 property buy-outs is based on the best estimate of the present value of the expenditure needed to settle the obligations to property owners. The estimates are determined based on the judgements and assumptions made by management and independent actuaries.

The provision increased by $92 million from 30 June 2024 to $615 million. The increase in the provision was partly offset by net settlements of $307 million from the purchase of 366 properties. The increase was mainly due to changes in the following significant assumptions used to estimate the provision:

- the estimated number of Risk Category 3 properties rose to 1,230 (30 June 2024: 900)
- the average market value per property increased by $0.1 million.

Significant uncertainty relating to the above assumptions may result in actual outcomes that are significantly different in amount or timing of settlement from the estimate in the future. This uncertainty arises because the process to assess the classification of the properties and agree settlement amounts is still underway.

Other than the changes in the two assumptions above, there have been no significant changes in judgements and estimates used in calculating provision for Risk Category 3 property buy-outs since the preparation of the group's annual report for year ended 30 June 2024.

The provision for Risk Category 2P grants increased by $10 million from 30 June 2024 to $40 million.

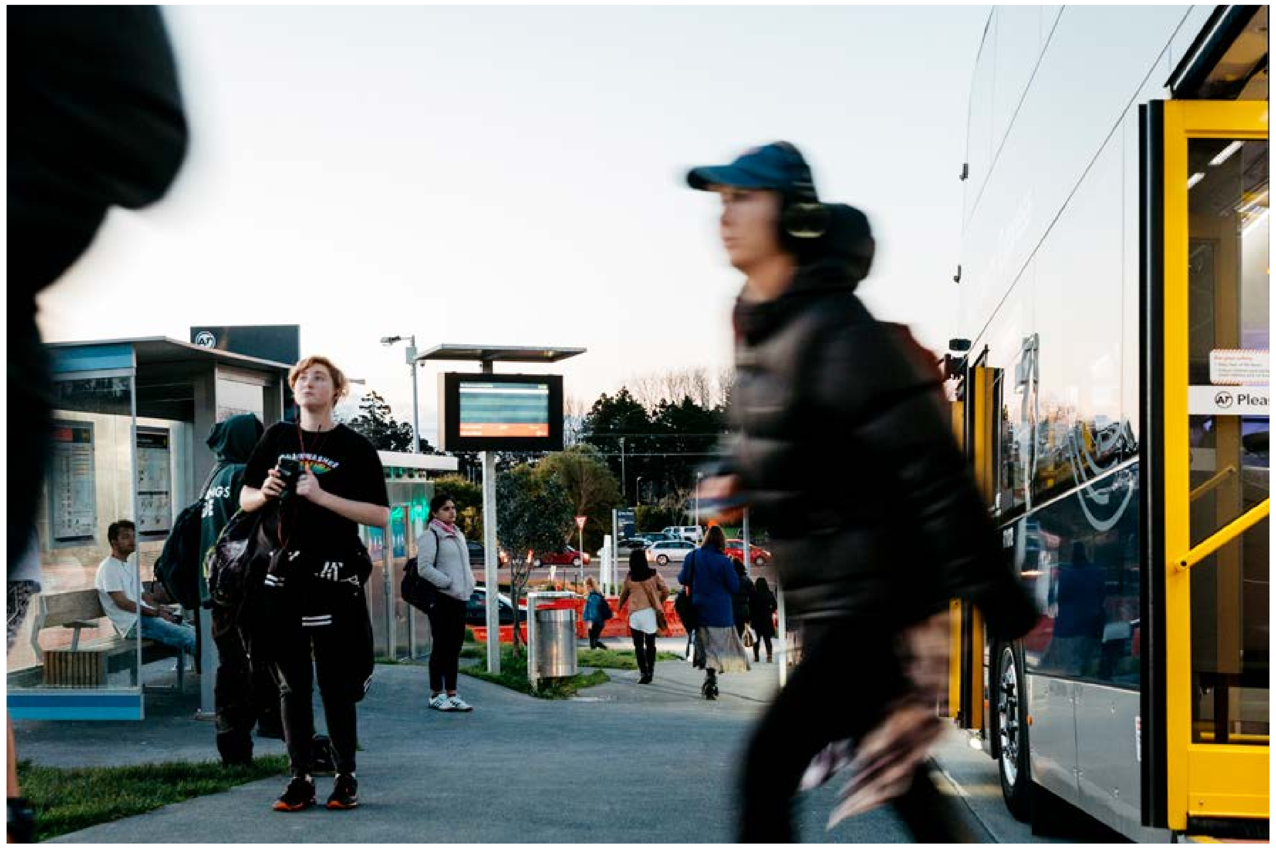
The council is in discussions with the central government in relation to the funding of the projected increase in the number of Risk Category 3 property buy-outs.

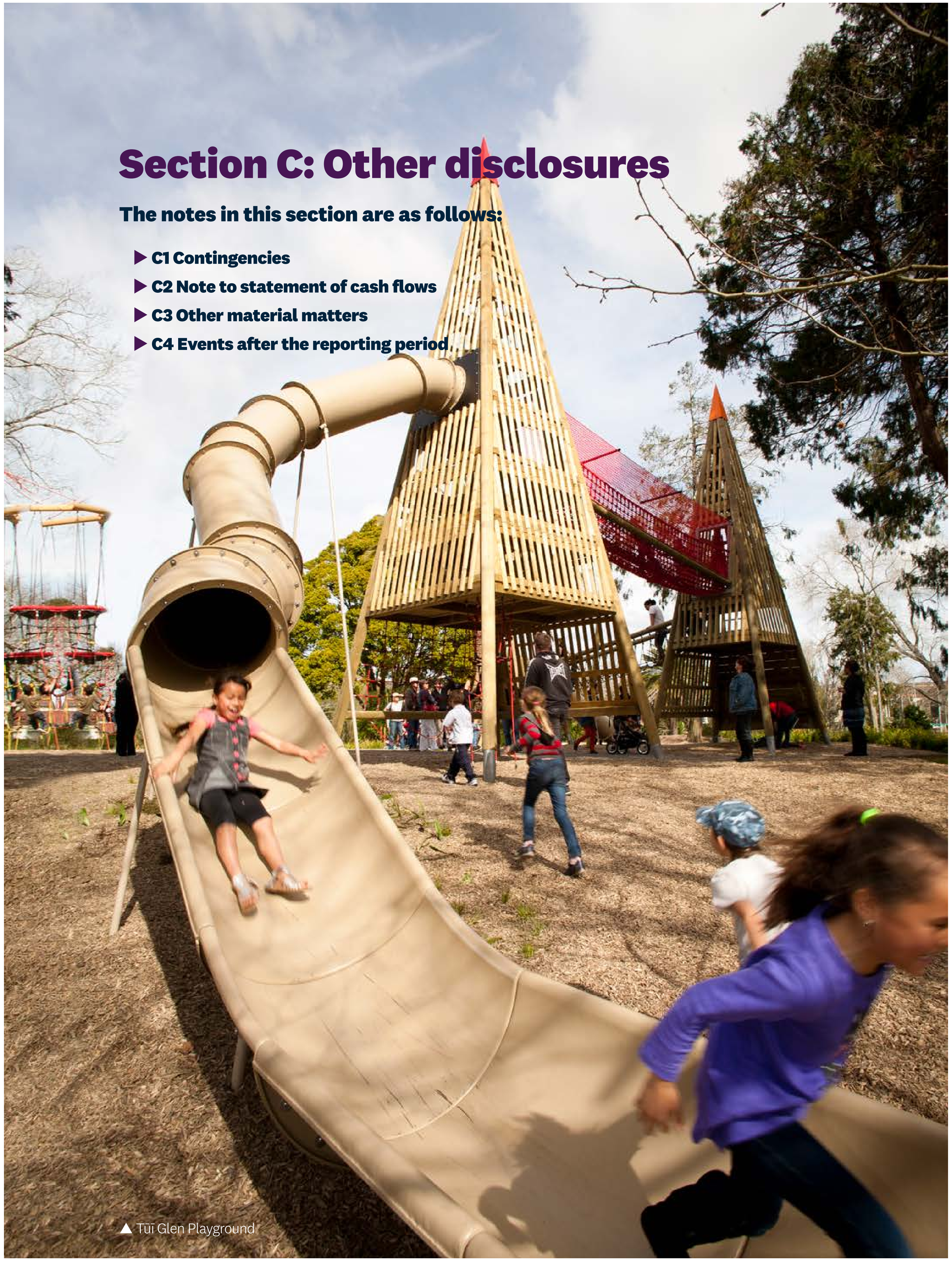
Provision for weathertightness and associated building defects

The provision for weathertightness and associated defect claims decreased by $11 million from 30 June 2024 to $252 million. The decrease was mainly because of the decrease in reported claims. This year we discounted reported claims related to properties that have been sold after they were notified to the council and claims more than 15 years old.

There have been no other material changes in provisions between 30 June 2024 and 31 December 2024.

▼ Silverdale Bus Transport Hub





Section C: Other disclosures

The notes in this section are as follows:

- ▶ **C1 Contingencies**
- ▶ **C2 Note to statement of cash flows**
- ▶ **C3 Other material matters**
- ▶ **C4 Events after the reporting period**

▲ Tūī Glen Playground

C1 Contingencies

Accounting policy

A contingent liability is a possible or present obligation that arises from past events but is not recognised because an outflow of resources is not probable or there is an inability to measure reliably.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by one or more uncertain future events not wholly within the control of the entity.

The group does not recognise contingent liabilities and contingent assets in the financial statements due to their uncertainty and/or because they cannot be reliably measured. However, they are disclosed as follows:
- Contingent liabilities are disclosed unless the possibility that these will crystallise is remote; and
- Contingent assets are only disclosed when it is probable that they will crystallise.

Contingent liabilities and assets are assessed on an ongoing basis to ensure that any developments are appropriately reflected in the financial statements.

Quantifiable contingent liabilities

Local Government Funding Agency

The group is a shareholder and guarantor of the Local Government Funding Agency (LGFA). The group's cross-guarantee on the LGFA's other borrowings was $21.8 billion at 31 December 2024 (30 June 2024: $19.1 billion). The group considers the risk of the LGFA defaulting on repayment of interest or capital to be very low and accordingly the expected credit loss on this guarantee has been assessed as immaterial.

Contingent assets

The central government funding for Risk Category 3 property buy-outs

The council receives funding from the central government for Risk Category 3 buy-outs and Risk Category 2P grants. Funding is recognised as a receivable when a payment request is sent to central government with the forecasted funding required. (Refer to Note B7 Provision for Risk Category 3 property buy-outs for further details of the agreement).

Following a large estimated increase in Risk Category 3 properties to 1,230 (30 June 2024: 900), the council entered into discussions with the central government in relation to the funding, including the split between Risk Category 3 and 2P funding as well as the total amount of the funding.

The total funding that will be received from central government is dependent on the number and amount of Risk Category 3 and 2P costs and any further funding that may be agreed with the central government. Based on the current agreement, the total central government funding for Risk Category 3, 2P costs and regional transport projects is capped at $877 million. The ultimate amount of funding remains uncertain.

C2 Note to statement of cash flows

Reconciliation of surplus/(deficit) after income tax to net cash flow from operating activities

$Million	Unaudited 6 months to 31 Dec 2024	Unaudited 6 months to 31 Dec 2023
Surplus after income tax	**1,677**	**1,360**
Add/(less) non-cash items:		
Depreciation and amortisation	711	653
Vested assets	(521)	(359)
Net change in fair value of financial instruments	263	76
Other non-cash items	71	(12)
Add/(less) items classified as investing or financing activities	**(1)**	**(6)**
Add/(less) movements in working capital items	**(1,278)**	**(673)**
Net cash inflow from operating activities	**922**	**1,039**

C3 Other material matters

Water services reform

The central government is addressing New Zealand's water infrastructure challenges through a three-stage process to improve water quality and update aging infrastructure.

The Local Government (Water Services) Bill, introduced in December 2024, is the third step in the Government's Local Water Done Well programme. This follows the repeal of the previous water services entities legislation in February 2024 and the enactment of the Local Government (Water Services Preliminary Arrangements) Act in September 2024.

The Bill guides local authorities on developing water services delivery plans and sets the regulatory framework for water services providers. Key elements include:
- New arrangements for water services delivery
- Obligations and powers for all water services providers
- Operational aspects within the planning and reporting framework
- A new economic regulation and consumer protection regime

The Bill grants water organisations powers such as charging customers for water services, requiring development contributions for growth-related costs, and proposing water services bylaws to local authorities.

On 12 December 2024, the Government has approved the Watercare Charter, which was developed by the Secretary for Local Government in consultation with the Commerce Commission and Auckland Council. This initiative aims to:
- Save $899 million in water and wastewater charges for Auckland households over four years.
- Set minimum service quality standards to enhance response times and reduce service interruptions.
- Enable record infrastructure investment averaging $1.3 billion annually from 2025 to 2028, supporting housing growth.

The Commerce Commission will monitor performance against the Watercare Charter, with full economic regulation commencing in 2028.

The group is currently assessing the financial impacts of this legislation.

Changes to Council-Controlled Organisation (CCO) delivery model

Following the Mayoral Proposal on the Annual Plan 2025/2026, on the 12th of December 2024, the Governing Body agreed to transfer and integrate all the functions of Eke Panuku and the economic development function of Tātaki Auckland Unlimited Limited (TAUL) to Auckland Council no later than 1 July 2025. TAUL will retain destination marketing and major events functions (with the council responsible for the relevant strategy and policy), and management of regional facilities. Tātaki Auckland Unlimited Trust will keep its charitable trust status and continue its operations.

On 4 December 2024, the central government announced proposed legislative change to reform the role of Auckland Transport including returning strategy, policy and planning functions of Auckland Transport to the council, establishing a new Auckland Regional Transport Committee with a focus on long-term, integrated transport planning, making the council the Road Controlling Authority, enabling greater local decision making about transport decisions and keeping Auckland Transport as a transport delivery arm. The council is preparing for this change in parallel with the legislative reform process.

The council appointed a CCO Reform Programme team and is determining the appropriate approach to implement the transfer and integration of Eke Panuku and TAUL functions as well as progressing other initiatives to strengthen the CCO model, support transport reform and accelerate the group shared services programme as agreed by the council's Governing Body.

The eventual financial impact of the CCO Reform on the group's accounts was uncertain as at 31 December 2024.

C4 Events after the reporting period

There were no material events after the reporting period.

Independent reviewer's report

Pūrongo nā te kaiarotake motuhake

▲ Learn to Swim at Albany Stadium Pools

CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

Independent Auditor's Review Report

To the readers of Auckland Council Group's Interim Financial Statements for the six months ended 31 December 2024

I am the auditor of Auckland Council and its subsidiaries (together, the Auckland Council Group). I have used my staff and appointed auditors and their staff to carry out a review of the Auckland Council Group's interim financial statements for the six months ended 31 December 2024 (hereafter the interim financial statements).

Conclusion

I have reviewed the interim financial statements of the Auckland Council Group on pages 16 to 33 which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the six months ended on that date, and the notes, including a summary of significant accounting policies and other explanatory information.

Based on my review, nothing has come to my attention that causes me to believe that the Auckland Council Group interim financial statements do not present fairly, in all material respects, the financial position of the Auckland Council Group as at 31 December 2024, and its financial performance and cash flows for the six months ended on that date, in accordance with PBE IAS 34 *Interim Financial Reporting*.

Basis for conclusion

I conducted my review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). My responsibilities are further described in the *My Responsibilities for the Review of the Interim Financial Statements* section of my report.

My staff, and appointed auditors and their staff are independent of the Auckland Council Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit of the annual financial statements and this review, my staff and appointed auditors and their staff have carried out other engagements that are of an assurance nature and therefore compatible with the independence requirements. These assurance engagements have not impaired my independence as auditor of the Auckland Council Group. Other than these engagements, and in exercising my functions and powers under the Public Audit Act 2001, I have no relationship with or interests in the Auckland Council Group.

Emphasis of matter – Uncertainty over the total cost of Risk Category 3 property buyouts

Without modifying my conclusion, I draw attention to Note B7 on pages 29 to 30, which outlines an increase in the provision for Risk Category 3 property buyouts, due to changes in the significant assumptions that underlie the provision. The total cost of the property buyouts remains highly uncertain while the process to assess the classification of the properties and agree settlement amounts is underway.

The Council's responsibilities for the interim financial statements

The Council is responsible, on behalf of the Auckland Council Group, for the preparation and fair presentation of these interim financial statements in accordance with PBE IAS 34 *Interim Financial Reporting*.

The Council is responsible for such internal control as it determines necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

The Council is also responsible for the publication of the interim financial statements, whether in printed or electronic form.

My responsibilities for the review of the interim financial statements

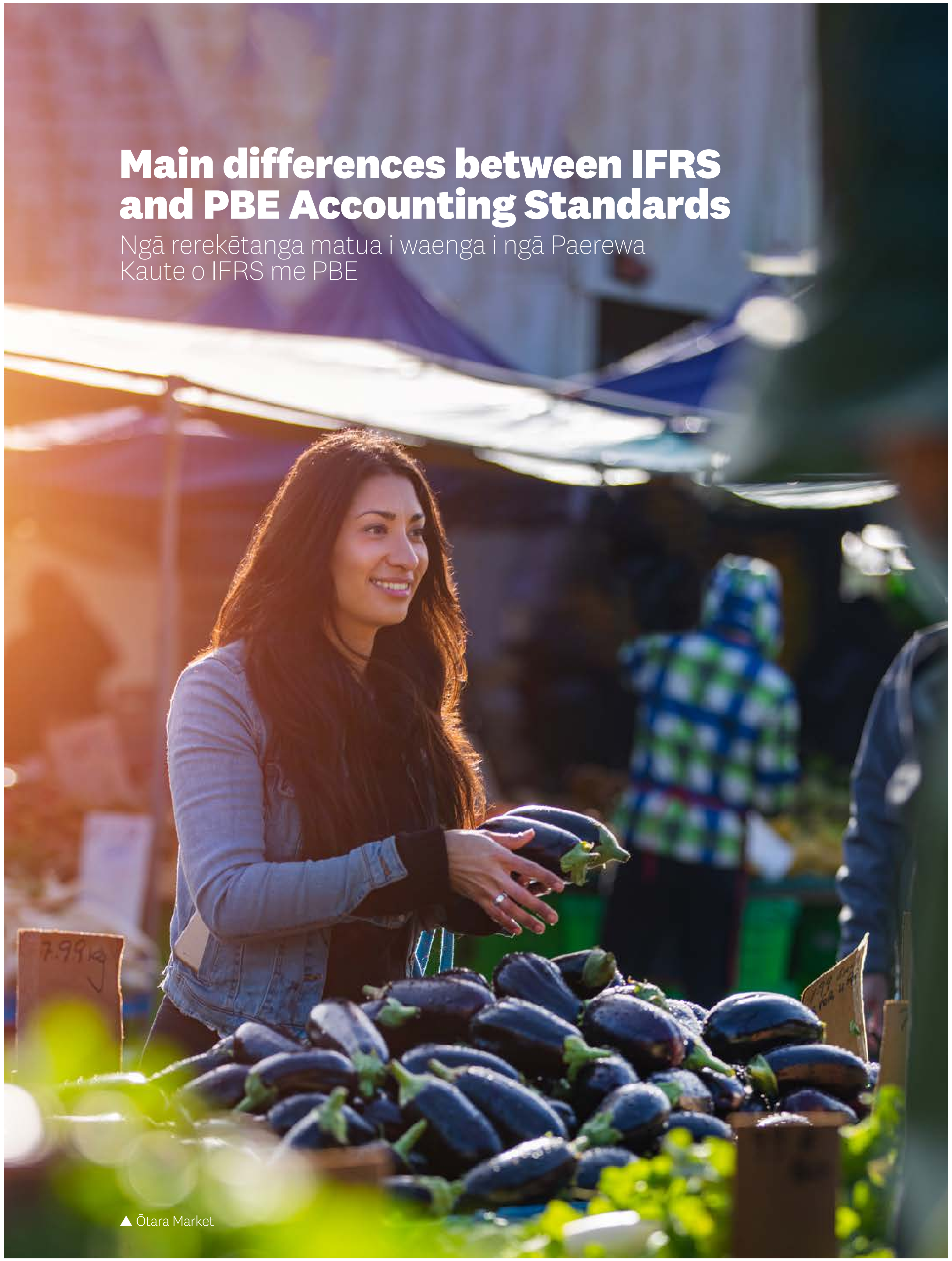
My responsibility is to express a conclusion on the interim financial statements based on my review. NZ SRE 2410 (Revised) requires me to conclude whether anything has come to my attention that causes me to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with PBE IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. I perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with *International Standards on Auditing (New Zealand)* and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion on these interim financial statements.

Andrew McConnell
Deputy Controller and Auditor-General
Wellington, New Zealand
26 February 2025

Main differences between IFRS and PBE Accounting Standards

Ngā rerekētanga matua i waenga i ngā Paerewa Kaute o IFRS me PBE



▲ Ōtara Market

Introduction

Under the New Zealand Accounting Standards Framework, public sector public benefit entities apply PBE Accounting Standards. The New Zealand Accounting Standards Framework defines public benefit entities (PBEs) as reporting entities 'whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders'. Many public sector entities are classified as PBEs. The Auckland Council Group (the group) is classified as a public sector PBE for financial reporting purposes and therefore the financial statements of the group have been prepared in accordance with PBE Accounting Standards.

The PBE Accounting Standards are primarily based on International Public Sector Accounting Standards (IPSAS). IPSAS are based on International Financial Reporting Standards (IFRS) but are adapted to a public sector context where appropriate by using more appropriate terminology and additional explanations where required. For example, IPSAS introduces the concept of service potential in addition to economic benefits in the asset recognition rules, and provides more public sector specific guidance where appropriate. This is in contrast with IFRS that are written for the for-profit sector with capital markets in mind.

The key differences in recognition and measurement between PBE Accounting Standards applicable to the group and IFRS (applicable to annual periods beginning on or after 1 July 2024) are set out below. Differences that impact only on presentation and disclosure have not been identified.

PBE Accounting Standards with comparable IFRS equivalent

Formation of Auckland Council Group

PBE

PBE IFRS 3 *Business Combinations* contains a scope exemption for business combinations arising from local authority reorganisations. This scope exemption is carried forward from NZ IFRS 3 (PBE) *Business Combinations*, the standard that was applicable to the group at the time it was formed on 1 November 2010 as a result of the amalgamation of eight predecessor Auckland local authorities.

Under the exemption, all assets and liabilities of the predecessor local authorities were recognised by the group using the predecessor values of those assets and liabilities. The initial value at which those assets and liabilities were recognised by the group is deemed to be their cost for accounting purposes.

IFRS

Without the scope exemption, the amalgamation of the predecessor local authorities into the group would have been accounted for as a business combination under IFRS 3 applying the acquisition method. Under the acquisition method, an acquirer would have been identified and all of the identifiable assets and liabilities acquired would have been recognised at fair value at the date of acquisition.

Impact

The impact of the above accounting treatment is that the carrying value of the assets and liabilities received were not remeasured to fair value and no additional assets and liabilities such as goodwill and contingent liabilities, or a discount on acquisition were recognised as would have been required if the transaction was accounted for as a business combination under IFRS 3.

Business combinations

PBE

PBE IPSAS 40 PBE *Combinations* has a broader scope compared to IFRS 3 *Business Combinations*. The scope of PBE IPSAS 40 includes combinations that are acquisitions and combinations that are amalgamations, such as combinations under common control.

Acquisitions are accounted for using the acquisition method consistent with the requirements of IFRS 3.

PBE IPSAS 40 contains additional guidance on the accounting for amalgamations. Amalgamations are accounted for using the modified pooling of interest method, where the resulting entity recognises the combining operations' assets and liabilities at their historical values as at the amalgamation date.

IFRS

All transactions in the scope of IFRS 3 are accounted for applying the acquisition method.

IFRS 3 does not contain guidance on the accounting for amalgamations. Therefore, under IFRS, an entity would need to adopt a policy on accounting for combinations under common control, either applying acquisition accounting or predecessor accounting.

Business combinations (continued)

Impact

Accounting for acquisitions is similar under both IFRS 3 and PBE IPSAS 40.

The accounting for amalgamations is also similar under PBE IPSAS 40 and IFRS, if, under IFRS, the entity's accounting policy for such transactions is to apply predecessor accounting.

Property, plant and equipment

PBE

In accordance with PBE IPSAS 17 *Property, Plant and Equipment*, PBEs are required to account for revaluation increases and decreases on an asset class basis rather than on an asset-by-asset basis.

IFRS

IFRS requires asset revaluations to be accounted for on an asset-by-asset basis.

Impact

Decreases on revaluation will be recognised in operating surplus except to the extent there is sufficient asset revaluation reserves surplus relating to the same class of assets under PBE Accounting Standards and relating to the same asset under IFRS. This difference could result in higher operating results under PBE Accounting Standards where there is a decrease in the carrying value of an asset. This is because, to the extent that there is sufficient revaluation surplus in respect of the same asset class (as opposed to the same asset), the group recognises a revaluation decrease in asset revaluation reserves.

Borrowing costs

PBE

PBE IPSAS 5 *Borrowing Costs* permits PBEs to either capitalise or expense borrowing costs incurred in relation to qualifying assets. A qualifying asset is defined in PBE IPSAS 5 'as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale'. The group's accounting policy is to expense all borrowing costs. As a consequence, borrowing costs are not included in the original cost or revaluations of qualifying assets.

IFRS

IAS 23 *Borrowing Costs* requires capitalisation of borrowing costs incurred in relation to qualifying assets. The definition of a qualifying asset is identical to that definition in PBE IPSAS 5.

Impact

This difference results in the group's property, plant and equipment value, and subsequent depreciation expense, being lower than they would be under IFRS. In addition, there is a higher interest expense in the periods in which qualifying assets are constructed.

Impairment of assets

PBE

PBEs apply PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* or PBE IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate to determine whether a non-financial asset is impaired. PBEs are therefore required to designate non-financial assets as either cash-generating or non-cash-generating. Cash-generating assets are those that are held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The PBE Accounting Standards require the value in use of non-cash-generating assets to be determined as the present value of the remaining service potential using one of the following: the depreciated replacement cost approach; the restoration cost approach; or the service units approach.

IFRS

IFRS does not provide specific guidance for the impairment of non-cash-generating assets. The value in use of an asset or a cash generating unit is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Impact

Assets with future economic benefits that are not primarily dependent on the asset's ability to generate cash and may not be impaired under PBE Accounting Standards because of the asset's ability to generate service potential might be impaired under IFRS due to limited generation of cash flows. The group's asset values may therefore be higher under PBE Accounting Standards because some impairment may not be required to be recognised, that would be required to be recognised under IFRS. Further, the value in use of an asset may be different under PBE Accounting Standards due to differences in calculation methods.

PBE Accounting Standards that have no IFRS equivalent / IFRS equivalent is not comparable

The following standards provide guidance on the same or similar topics but are not directly comparable. The comparison below identifies the key recognition and measurement difference.

Revenue from non-exchange transactions

PBE

The PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Non-exchange transactions are transactions that are not exchange transactions.

PBE IPSAS 23 *Revenue from Non-Exchange Transactions* deals with revenue from non-exchange transactions. The group's non-exchange revenue includes revenue from general rates, fuel tax, grants and subsidies.

Fees and user charges derived from activities that are partially funded by general rates are also considered to be revenue arising from non-exchange transactions.

The group recognises an inflow of resources from a non-exchange transaction as revenue except to the extent that a liability is also recognised in respect of the same inflow. A liability is recognised when a condition is attached to the revenue that requires that revenue to be returned unless it is consumed in the specified way. As the conditions are satisfied, the liability is reduced and revenue is recognised.

IFRS

IFRS does not have a specific standard that deals with revenue from non-exchange transactions. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* contains guidance relating to the accounting for government grants. Under IAS 20, government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. In the case of grants related to assets, IAS 20 results in setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Impact

The group's accounting policy may lead to earlier recognition of revenue from non-exchange transactions than if it was recognised under IAS 20. It may also result in differences in asset values in relation to grants related to assets.

Under PBE IPSAS 23, the timing of recognising the group's rates revenue is at the date of issuing the rating notices for the annual general rate charge resulting in the entire rates revenue being recognised in the interim financial statements of the group. This is likely to be an earlier recognition than if this revenue was accounted for under IFRS.

Revenue from exchange transactions

PBE

As discussed above, the PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions.

PBE IPSAS 9 *Revenue from Exchange Transactions* deals with revenue from exchange transactions. The group's exchange revenue includes revenue from fees and user charges (water and wastewater charges, development contributions, infrastructure charges, port operations, consents, licences and permits) and revenue from sales of goods.

The group recognises revenue related to services on a percentage of completion basis over the period of the service supplied. Revenue from sale of goods is recognised when the substantial risks and rewards of ownership have been passed to the buyer.

IFRS

IFRS 15 *Revenue from Contracts with Customers* introduces a single revenue model for contracts with customers. It does not distinguish between sales of goods and services. It defines transactions based on performance obligations, which are promises to transfer goods or services in a contract with a customer.

The core principle of the standard is that revenue is recognised as a result of the entity satisfying performance obligations or promises to transfer goods or services at an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. These may be satisfied over time versus at a point in time based on when control of the good or service transfers to a customer.

Revenue from exchange transactions (continued)

Impact

The group's accounting policy may result in a different timing of recognition of revenue from exchange transactions compared to IFRS 15.

For example, IFRS 15 contains more detailed guidance on identifying distinct performance

obligations in a contract and allocating the consideration to these based on the standalone selling price of the performance obligations. This may result in some revenue recognised earlier or later than under PBE IPSAS 9.

Further, IFRS 15 contains detailed guidance on the accounting treatment of variable consideration which may result in change in timing of recognising revenue related to items such as rebates and price concessions.

The impact of these differences may result in revenue recognised earlier/later in the contract period however it should not impact on the total revenue recognised during the contract term.

Service Concession Arrangement (also known as Public Private Partnership Arrangements)

PBE

PBE IPSAS 32 *Service Concession Arrangements* deals with the accounting for service concession arrangements from the grantor's perspective. Service concession arrangements are more commonly known as Public Private Partnership (PPP) arrangements. Broadly, service concession arrangements are arrangements between the public and private sectors whereby public services are provided by the private sector using public infrastructure (service concession asset).

PBE IPSAS 32 requires the grantor (public entity) to recognise the service concession asset and a corresponding liability on its statement of financial position. The liability can be a financial or other liability or a combination of the two depending on the nature of the compensation of the operator.

A financial liability is recognised if the grantor compensates the operator by the delivery of cash or another financial asset. A non-financial liability is recognised if a right is granted to the operator to charge the users of the public service related to the service concession asset (liability for unearned revenue).

IFRS

IFRS contains no specific guidance addressing the accounting by the grantor (public entity) in a service concession arrangement. However, IFRS contains guidance for the operator's accounting (private entity).

Impact

Applying IFRS to service concession arrangements would not result in a significant impact on the group's financial position or financial performance as, in absence of specific guidance in NZ IFRS, prior to the adoption of PBE Accounting Standards, NZ practice has been to 'mirror' the accounting treatment of the private entity under IFRS which is consistent with the requirements of the PBE Accounting Standards.

Fair Value Measurement

PBE

There is no specific standard in the PBE Accounting Standards, however a number of PBE Accounting Standards contain guidance on the measurement of fair value in specific contexts (for example PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 41 *Financial Instruments*).

IFRS

IFRS 13 *Fair Value Measurement* does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

Impact

The application of IFRS 13 may result in differences in the measurement of certain property, plant and equipment compared to PBE IPSAS 17 and financial assets and liabilities compared to PBE IPSAS 41.

Lease accounting

PBE

Under PBE IPSAS 13 *Leases*, the group's current accounting policy is to make a distinction between finance leases and operating leases.

Finance leases are recognised on the statement of financial position.

Operating leases are not recognised on the statement of financial position, instead, payments are recognised in the statement of financial performance on a straight-line basis or another systematic basis that is more representative of the pattern of the lessee's benefit.

IFRS

IFRS 16 *Leases* requires the lessee to recognise almost all lease contracts on the statement of financial position; the only optional exemptions are for certain short-term leases and leases of low-value assets.

There is no significant difference in respect of the accounting treatment applicable to lessors, or for lessees in contracts classified as finance leases under PBE IPSAS 13.

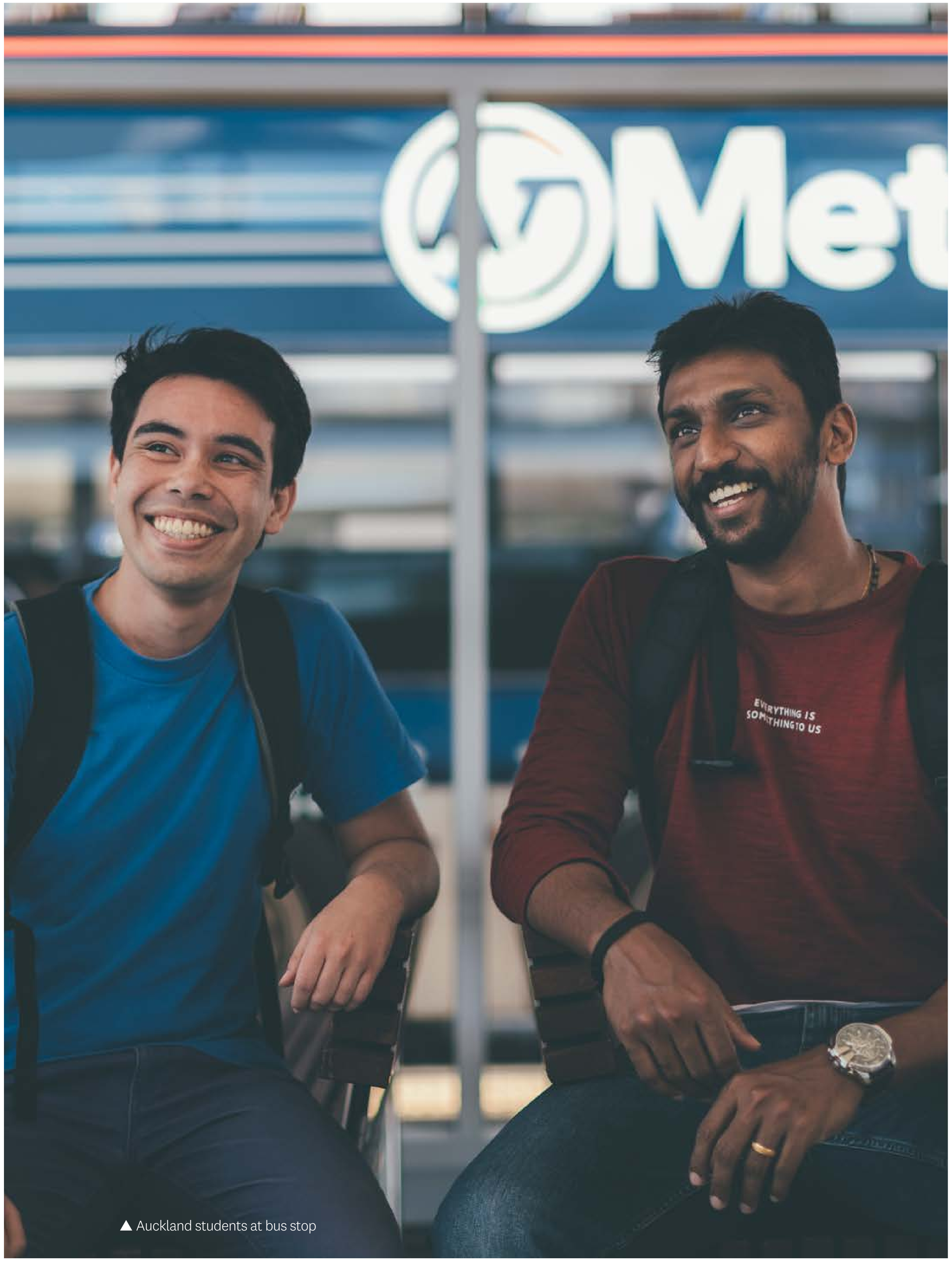
Impact

Where the group is the lessee in contracts classified as operating leases under its current accounting policy, applying IFRS 16 would result in the group having to recognise a 'right-of-use' asset (that is, the asset that reflects the right to use the leased asset) and a corresponding lease liability (obligation to make lease payments) on its statement of financial position.

Further, applying IFRS 16 would result in the group having to recognise interest expense on the lease liability and depreciation on the 'right-of-use' asset. Due to this, for lease contracts currently classified as operating leases, the total amount of expenses at the beginning of the lease period would be higher than under the current accounting policy of the group.

There is no significant difference where the group is a lessor in the lease arrangement or a lessee in contracts classified as a finance lease under PBE IPSAS 13.

▼ Parnell Rose Festival



▲ Auckland students at bus stop

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