

**Audit, Finance & Risk Committee  
13 June 2018**

**Report for Agenda Item 1**

**Department: Finance & Regulatory**

**Full Year Re-forecast and Quarterly Financial Overview – March 2018**

**Purpose**

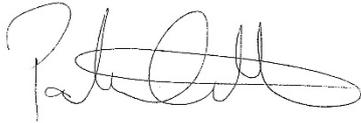
The purpose of this report is to present the Quarter 3 Full Year financial Re-forecast and March Quarterly financial results and to report on any significant transactions and/or variances to budget.

**Recommendation**

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

Prepared by:



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31 May 2018

Reviewed and Authorised by:



Stewart Burns  
General Manager, Regulatory & Finance  
31 May 2018

**Background**

- 1 The main objective of this report is to give the Committee an overview of how the Council is performing from a financial perspective. The approach taken is one of management by exception, whereby officials are required to provide explanations when actual expenditure or revenue does not match the budget.

***2017/18 Quarter 3 Full Year (FY) Re-forecast to Budget***

- 2 For the Quarter 3 FY Re-forecast the FY operating deficit is expected to be \$1.2m which is \$3.0m favourable to the FY Budget operating deficit of \$4.2m.
- 3 The Re-forecast shows additional revenue of \$5.2m which is predominately due to additional consents processing (\$1.0m), regulatory infringements and car parking (\$1.7m) and net operational income (\$1.4m).

- 4 The Re-forecast has additional expenses within contract staff \$3.8m, infrastructure maintenance \$2.3m and other expenses \$0.9m which is offset by a lower interest expense (\$3.4m).

### ***2017/18 March Quarter 3 Financial Report***

- 5 For Quarter 3 end there is a \$3.0m Year to Date (YTD) operating surplus which is \$4.7m favourable to YTD Budget.
- 6 Majority of this surplus can be attributable to additional revenue of \$7.9m which is predominately within operational income namely Queenstown Airport Dividend \$1.6m, interest received \$1.1m, turnover and Lakeview rental income \$836k and capital contributions received of \$0.6m. There is also additional Regulatory income for infringements and car parking of \$1.1m.
- 7 Q3 YTD actuals has additional expenses within contract staff \$1.9m and infrastructure maintenance of \$1.7m which is partially offset by lower Interest expense of (\$2.6m).
- 8 Further in-depth commentary is provided within each attachment.

### **Options**

- 9 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:
- 10 Option 1 The report is for noting, therefore no options are discussed.

### ***Significance and Engagement***

This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because as the report is for noting only.

### **Financial Implications**

- 11 As the review of the financial results is an administrative matter, there are no budget or cost implications arising from this report. No anomalies have been identified and it is not proposed to make any significant changes to any internal practices or procedures.

### **Council Policies, Strategies and Bylaws**

- 12 The following Council policies, strategies and bylaws were considered:
- Long Term Plan 2015 – 2025
  - Annual Plan 2017/2018
- 13 The recommended option is consistent with the principles set out in the named policy/policies.

### **Local Government Act 2002 Purpose Provisions**

- 14 The recommended option is consistent with the Council's plans and policies.

### **Consultation: Community Views and Preferences**

15 Consultation is not required.

### **Legal Considerations and Statutory Responsibilities**

16 This report achieves the purpose of the Local Government Act 2002 by ensuring that Council activities are conducted in a cost-effective manner.

### **Attachments**

- A Finance Management Report – Full Year Q3 Forecast to Full Year Budget
- B Finance Management Report - For the Quarter Ended 31 March 2018
- C Statement of Financial Position
- D Debtors Analysis

## Finance Management Report

## For Quarter 3 Full Year Re-Forecast

## Operating Expenditure and Revenue

Description	Full Year Re-forecast	Full Year Budget	Variance to Budget
<b>REVENUE</b>			
<u>Operating Revenue</u>			
Income - Rates	67,140,945	67,070,729	70,216
Income - Grants & Subsidies	6,107,351	5,884,347	223,004 1*
Income - NZTA External Cost Recoveries	1,958,515	1,976,496	(17,981)
Income - Consents	10,227,664	9,188,400	1,039,264 2*
Income - External Cost Recovery	1,455,202	738,155	717,047 3*
Income - Regulatory	5,591,052	3,868,855	1,722,197 4*
Income - Operational	29,052,446	27,608,944	1,443,502 5*
<b>Total Operating Revenue</b>	<b>121,533,175</b>	<b>116,335,926</b>	<b>5,197,249</b>
<b>EXPENDITURE</b>			
<u>Personnel Expenditure</u>			
Expenditure - Salaries & Wages	24,209,743	24,380,971	171,228 6*
Expenditure - Salaries & Wages Contract	4,158,540	406,720	(3,751,820) 6*
Expenditure - Health Insurance	248,809	184,800	(64,009)
<b>Total Personnel Expenditure</b>	<b>28,617,091</b>	<b>24,972,491</b>	<b>(3,644,600)</b>
<u>Operating Expenditure</u>			
Expenditure - Professional Services	4,064,214	3,937,417	(126,797) 7*
Expenditure - Legal	2,254,496	1,796,542	(457,954) 8*
Expenditure - Stationery	388,167	393,211	5,044
Expenditure - IT & Phones	714,078	706,024	(8,054)
Expenditure - Commercial Rent	2,132,534	2,169,891	37,357
Expenditure - Vehicle	564,746	568,014	3,268
Expenditure - Power	3,179,296	3,024,716	(154,580) 9*
Expenditure - Insurance	701,498	701,498	0
Expenditure - Infrastructure Maintenance	24,228,291	21,929,039	(2,299,253) 10*
Expenditure - Parks & Reserves Maintenance	5,973,260	8,751,723	2,778,463 11*
Expense - External Cost On Chargeable	1,512,052	708,630	(803,422) 3*
Expenditure - Grants	6,134,995	6,134,995	0
Expenditure - Other	12,638,697	11,735,515	(903,182) 12*
<b>Total Operating Expenditure</b>	<b>64,486,323</b>	<b>62,557,214</b>	<b>(1,929,109)</b>
<u>Interest and Depreciation</u>			
Expenditure - Interest	5,220,819	8,613,179	3,392,360 13*
Expenditure - Depreciation	24,369,187	24,369,187	0
<b>Total Interest and Depreciation</b>	<b>29,590,006</b>	<b>32,982,367</b>	<b>3,392,360</b>
<b>Total Expenditure</b>	<b>122,693,420</b>	<b>120,512,072</b>	<b>(2,181,349)</b>
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>(1,160,245)</b>	<b>(4,176,146)</b>	<b>3,015,901</b>
<b>Capital Revenue and Expenditure</b>			
Description	Full Year Re-forecast	Full Year Budget	Variance to Budget
<u>Capital Revenue</u>			
Income - Development Contributions	12,870,758	6,615,887	6,254,871 14*
Income - Vested Assets	10,748,642	10,748,642	0
Income - Grants & Subsidies Capex	5,958,694	6,849,781	(891,087) 15*
<b>Total Capital Revenue</b>	<b>29,578,094</b>	<b>24,214,310</b>	<b>5,363,785</b>
<u>Capital Expenditure</u>			
Projects/Asset Purchases	49,757,444	72,273,902	22,516,458 16*
Debt Repayment	0	16,890,000	16,890,000
<b>Total Capital Expenditure</b>	<b>49,757,444</b>	<b>89,163,902</b>	<b>39,406,458</b>
<b>NET CAPITAL FUNDING REQUIRED</b>	<b>20,179,349</b>	<b>64,949,592</b>	<b>44,770,243</b>
<b>Total External Borrowing</b>	<b>85,000,000</b>	<b>161,783,000</b>	

### Commentary - Operational Full Year Re-forecast to Full Year Budget Adjustments

<p><b>*1 Income - Grants &amp; Subsidies</b> - NZTA opex subsidy income is forecasted to be \$619k favourable year to date due to increased environmental maintenance work (which offsets in Infrastructure maintenance costs - See Note. 9 below). \$95k additional Petrol tax is forecasted based on YTD run rate analysis. (\$500k) has been removed from re-forecast due to Wanaka Pool Grant from Community Trust of Otago being received in 2016/17 financial year.</p>
<p><b>*2 Income - Consents</b> - Re-forecast has been updated for Planning and Development's contractor income of \$3.3m due to significant application volume increases which is offset by lower than expected internal staff revenue chargeable hours (\$2.3m).</p>
<p><b>*3 Income - External Cost Recovery</b> - This is the income received from on-charging external consultant costs in relation to resource consents. The expense matching this income is below in the expense line - external cost on chargeable. The difference between income and expense is due to timing of raising the invoice for on-charging. Within the Re-forecast there is \$750k of contract staff revenue and expenditure re-allocated to Income - Consents and Contract Staff line items from Revenue External Cost Recovery and Expense - External Cost On Chargeable for a coding change with Resource Management.</p>
<p><b>*4 Income - Regulatory</b> - Re-forecast has an additional \$852k net revenue due to growth and increased enforcement from additional FTE's within Regulatory for Traffic, Parking and Campervan Infringements. There is additional \$869k re-forecast revenue for higher parking income due to increased occupancy from public car parks.</p>
<p><b>*5 Income - Operational</b> - The Queenstown Airport dividend has been received for \$5.4m which is \$1.6m above Full Year budget. There is additional re-forecast revenue of \$550k for Turnover rents, \$423k Lakeview cabin income and \$150k for Church St carpark. Refuse has \$361k additional landfill levy and transfer station recovery re-forecast income due to increasing volumes of waste and \$107k to Central Otago District Council for their contribution towards ETS carbon credits. (The refuse &amp; carbon credit income is offset within Note 9. Expenditure - Infrastructure Maintenance). There is additional re-forecast revenue of \$200k for Rates penalties and \$660k net interest received. This is offset by removing (\$3.0m) of Coronet Forest income from re-forecast due to timing (Harvest expected to commence in 2018/19 now) and (\$170k) less than budgeted venue hire revenue based. Capital contributions of \$565k from QAC for park and ride facility and Eastern Access Road recoverable costs and DOC for their contribution to Roys Peak car park along with \$150k for Makarora Toilet from MBIE have also been included in the re-forecast.</p>
<p><b>*6 Expenditure - Salaries and Wages and Contract Staff</b> - Salaries and Wages is expected to catch up on some of its March quarter YTD variance through filling the 2018/19 brought forward roles and vacancies in the final quarter. The re-forecast has also been updated to include the contract staff costs of \$3.7m required within Planning and Development to address significant application volume increases with this spend being predominately offset by additional revenue from Planning and Development invoicing.</p>
<p><b>*7 Expenditure - Professional Services</b> - Re-forecast has been updated for additional work on the Central Government business case and Community Services strategy master plan consultant costs \$120k and also additional \$257 District Plan review consultant costs which is offset by lower than re-forecast spend within Property and Infrastructure (\$296k). NB Within the Re-forecast the expected full year HIF consultancy costs of \$849k is assumed to be capitalised i.e. the HIF projects will be approved.</p>
<p><b>*8 Expenditure - Legal</b> - The Re-forecast has been updated to reflect the additional legal expenses required within Planning &amp; Development to support the Resource Consent teams workloads and for on-going legal advice for Development Contributions, Wanaka Airport restructure advice and legal assistance from ORC prosecutions and various Heads of Agreements.</p>
<p><b>*9 Expenditure - Power</b> - Re-forecast has been updated to include \$131k for reticulated gas at the Wanaka Recreation Centre.</p>
<p><b>*10 Expenditure - Infrastructure Maintenance</b> - Re-forecast has been updated for \$1.6m additional spend for roading which includes \$700k for emergency re-instatement, minor events and pavement maintenance which were not budgeted along with additional \$900k for environmental maintenance work and non-contract works (which partially offset in Income - Grants and Subsidies see Note. 1 above). Re-forecast has also been updated for additional spend within Refuse for increased landfill costs \$250k due to increase in volumes of waste, \$280k additional costs for Refuse/Recycling escalation &amp; additional collection costs and \$300k increase in disposal costs for glass, carbon credits &amp; tyre stockpile (which partially offset in Income Operational - See note. 5 above). This is partially offset by (\$250k) general savings in Wastewater for sludge disposal.</p>
<p><b>*11 Expenditure - Parks &amp; Reserves Maintenance</b> - \$3.0m Coronet Forest expenditure has been removed in re-forecast as the the Harvest is expected to commence in 2018/19 (Income offset in Note 5.). This is partially offset by increase in Parks forecasted spend for the new high profile and sports turf maintenance contracts due to revised levels of service (\$300k)</p>
<p><b>*12 Expenditure - Other</b> - Re-forecast has been updated for Long Term Plan Audit Fees \$140k and Cleaning Costs \$174k not budgeted, \$50k for Wanaka by-election expenses and additional Noise and Parking Control costs of \$161k, Recruitment fees \$101k and Commissioner costs within District Plan \$200k.</p>
<p><b>*13 Expenditure - Interest</b> - Re-forecast costs has been updated to adjusted due to lower than expected interest rates and timing of capex spend.</p>

### Commentary - Capital Revenue and Expenditure Full Year Re-forecast to Full Year Budget Adjustments

<p><b>*14 Income - Development Contributions</b> - Re-forecast full year amount is based on the March YTD quarter run rate due to the unpredictable nature of invoicing Development Contributions.</p>
<p><b>*15 Income - Grants &amp; Subsidies Capex</b> - NZTA capex subsidy income reduced by \$900k due to re-allocation of NZTA budget to operating activities to cover additional environmental maintenance and Network &amp; Asset Management costs (per Note 1. above).</p>
<p><b>*16 Project Expenditure</b> - There is a revised budget from \$72m to \$68m due to Wanaka land reserve and some of the Project Shotover disposal fields being deferred until 2018/19. There is also \$900k re-allocation from Eastern Access Road savings to cover Council office upgrades across the District and additional costs for Knowledge Management for upgrade to Wanaka bandwidth due to growth and license fees for Tech One. Re-forecast actuals are updated to reflect 73% delivery (Based on April YTD delivery run rate) of the revised \$68m budget with significant works to be carried forward to 2018/19 due to timing of delivery.</p>

## Finance Management Report

For the Quarter Ended 31 March 2018

## Operating Expenditure and Revenue

Description	QTR 3 Actual	QTR 3 Budget	Variance to Budget
<b>REVENUE</b>			
<u>Operating Revenue</u>			
Income - Rates	16,771,627	16,767,682	3,944
Income - Grants & Subsidies	1,144,446	1,061,399	83,047
Income - NZTA External Cost Recoveries	522,812	494,124	28,688
Income - Consents	2,220,591	2,259,219	(38,628)
Income - External Cost Recovery	688,245	180,887	507,358
Income - Regulatory	1,566,534	1,052,628	513,906
Income - Operational	6,750,405	5,959,413	790,992
<b>Total Operating Revenue</b>	<b>29,664,659</b>	<b>27,775,352</b>	<b>1,889,307</b>
<b>EXPENDITURE</b>			
<u>Personnel Expenditure</u>			
Expenditure - Salaries & Wages	6,083,306	5,913,802	(169,504)
Expenditure - Salaries & Wages Contract	615,397	90,579	(524,818)
Expenditure - Health Insurance	34,957	46,200	11,243
<b>Total Personnel Expenditure</b>	<b>6,733,661</b>	<b>6,050,581</b>	<b>(683,079)</b>
<u>Operating Expenditure</u>			
Expenditure - Professional Services	956,959	990,665	33,705
Expenditure - Legal	454,873	435,136	(19,737)
Expenditure - Stationery	84,064	98,303	14,239
Expenditure - IT & Phones	171,704	176,506	4,802
Expenditure - Commercial Rent	481,919	542,473	60,553
Expenditure - Vehicle	126,798	142,004	15,205
Expenditure - Power	880,049	797,743	(82,306)
Expenditure - Insurance	200,048	175,375	(24,674)
Expenditure - Infrastructure Maintenance	6,163,169	5,204,760	(958,410)
Expenditure - Parks & Reserves Maintenance	1,615,984	1,404,017	(211,966)
Expense - External Cost On Chargeable	792,134	173,600	(618,534)
Expenditure - Grants	1,235,465	1,267,433	31,968
Expenditure - Other	2,656,277	2,741,824	85,548
<b>Total Operating Expenditure</b>	<b>15,819,444</b>	<b>14,149,838</b>	<b>(1,669,606)</b>
<u>Interest and Depreciation</u>			
Expenditure - Interest	1,312,428	2,153,295	840,866
Expenditure - Depreciation	6,025,558	6,025,558	0
<b>Total Interest and Depreciation</b>	<b>7,337,987</b>	<b>8,178,853</b>	<b>840,866</b>
<b>Total Expenditure</b>	<b>29,891,091</b>	<b>28,379,272</b>	<b>(1,511,819)</b>
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>(226,432)</b>	<b>(603,920)</b>	<b>377,488</b>

% of Year Completed			75%	
Year to date Actual	Year to date Budget	Year to date Variance	Full Year Budget	YTD Actuals to Full Year Budget
50,342,494	50,303,047	39,447	67,070,729	75%
4,350,911	3,701,326	649,585	5,884,347	74% 1*
1,362,994	1,482,372	(119,378)	1,976,496	69%
6,664,701	6,882,969	(218,269)	9,188,400	73%
2,024,537	554,347	1,470,190	738,155	274% 2*
3,972,373	2,863,642	1,108,731	3,868,855	103% 3*
24,408,939	19,403,310	5,005,629	27,608,944	88% 4*
93,126,948	85,191,013	7,935,935	116,335,926	80%
17,679,024	18,040,116	361,092	24,380,971	73% 5*
2,243,384	300,669	(1,942,715)	406,720	552% 5*
147,013	138,600	(8,413)	184,800	80%
20,069,421	18,479,385	(1,590,036)	24,972,491	80%
3,414,858	2,983,516	(431,342)	3,937,417	87% 6*
1,552,292	1,305,407	(246,886)	1,796,542	86% 7*
251,941	294,908	42,967	393,211	64%
497,452	529,518	32,066	706,024	70%
1,485,228	1,627,418	142,190	2,169,891	68%
357,611	426,011	68,400	568,014	63%
2,297,516	2,212,728	(84,788)	3,024,716	76%
627,129	526,124	(101,005)	701,498	89%
18,055,683	16,349,279	(1,706,404)	21,929,039	82% 8*
4,180,209	4,113,368	(66,842)	8,751,723	48%
2,133,501	532,184	(1,601,317)	708,630	301% 2*
4,293,129	4,205,274	(87,854)	6,134,995	70%
8,669,969	8,498,853	(171,115)	11,735,515	74% 9*
47,816,518	43,604,588	(4,211,931)	62,557,214	76%
3,907,951	6,459,884	2,551,934	8,613,179	45% 10*
18,349,929	18,349,929	0	24,369,187	75%
22,257,880	24,809,814	2,551,934	32,982,367	67%
90,143,820	86,893,786	(3,250,033)	120,512,072	75%
<b>2,983,128</b>	<b>(1,702,773)</b>	<b>4,685,901</b>	<b>(4,176,146)</b>	

## Commentary - March YTD Quarter Operational

**\*1 Income - Grants & Subsidies** - NZTA opex subsidy income is \$537k favourable year to date due to increased environmental maintenance, pavement and drainage maintenance work along with internal time recovered through reallocation of NZTA capex budget to opex (which offsets in Infrastructure maintenance costs - See Note. 8 below). There is also a \$80k favourable variance due to funds received from a developer on 30 September for an affordable housing contribution which was passed on to the Community Lakes Housing Trust in November.

**\*2 Income - External Cost Recovery** - This is the income received from on-charging external consultant costs in relation to resource consents. The expense matching this income is below in the expense line - external cost on chargeable. The difference between income and expense is due to timing of raising the invoice for on-charging.

**\*3 Income - Regulatory** - Growth and increased enforcement from additional FTE's compared to the previous year has driven the increases above year to date budget for regulatory. The favourable variances come from the net impact of higher traffic, parking and campervan year to date infringements issued totalling \$429k and \$612k for higher parking fees collected due to increased occupancy from public car parks.

**\*4 Income - Operational** - The Queenstown Airport dividend has been received for \$5.4m which is \$1.6m above Full Year budget. Turnover rents totalling \$518k and Lakeview cabin income \$321k has also created a favourable timing variance. \$270k was invoiced to QAC for additional park and ride facility costs and Eastern Access Road irrigation costs, \$250k to DOC for their contribution of Roys Peak car park, \$76k to MBIE for Makarora Toilet and \$107k to Central Otago District Council for their contribution towards ETS carbon credits. There is also \$234k additional landfill income due to increasing volumes of waste. (The carbon credits and refuse income are offset within Note 8. Expenditure - Infrastructure Maintenance). Rates penalties is up \$241k on budget as is net interest received of \$1.1m.

**\*5 Expenditure - Salaries and Wages and Contract Staff** - The reducing favourable year to date variance of \$361k for salaries and wages is due to carrying vacancies through the first quarter. Contract staff are being used to cover vacant positions particularly within Planning and Development for addressing volume increases. The year to date spend on Planning and Development contract staff of \$1.9m is partially offset by additional revenue from Planning and Development invoicing. Infrastructure has unbudgeted contract staff costs of \$199k for corridor access management, 3 waters BBC support services to guide the LTP capital planning, developer engineer secondment and contract administration.

**\*6 Expenditure - Professional Services** - Variance to budget is due to additional \$518k for consultancy work on the central government business case and HIF related professional services costs.

**\*7 Expenditure - Legal** - \$192k Additional legal expenses is required within Planning & Development to support the Resource Consent teams workloads which is offset by (\$95k) underspend for weather tightness legal costs and \$150k is for on-going legal advice for Development Contributions, Wanaka Airport restructure advice and legal assistance with the ORC prosecution.

**\*8 Expenditure - Infrastructure Maintenance** - There is \$1.2m additional spend for roading direct costs which includes emergency re-instatement \$178k and minor events \$62k which were not budgeted along with the timing of environmental maintenance work (which partially offsets in Income - Grants and Subsidies see Note. 1 above). Refuse is \$625k unfavourable due to an increase in landfill volumes \$220K, Refuse/Recycling escalation & additional collection costs and increase in disposal costs for glass \$223k and increase in ETS carbon credit price \$111K (Both Refuse and carbon credits are partially offset in Income Operational - See note. 4 above).

**\*9 Expenditure - Other** - There is additional \$257k commissioner costs required within Planning & Development predominately due to the District Plan process and \$113k additional Long Term Plan audit costs which is partially offset by timing within Strategy Events Grants not drawn down as yet (\$163k).

**\*10 Expenditure - Interest** - Interest costs is favourable due to lower than expected interest rates and timing of capex spend.

## Capital Revenue and Expenditure

Description	QTR 3 Actual	QTR 3 Budget	Variance to Budget	Year to date Actual	Year to date Budget	Year to date Variance	Full Year Budget	YTD Actuals to Full Year Budget
<u>Capital Revenue</u>								
Income - Development Contributions	5,026,421	1,653,972	3,372,449	10,725,632	4,961,915	5,763,717	6,615,887	162% <b>11*</b>
Income - Vested Assets	0	0	0	0	0	0	10,748,642	22%
Income - Grants & Subsidies Capex	1,285,576	1,712,445	(426,869)	4,598,511	5,137,336	(538,824)	6,849,781	67% <b>12*</b>
<b>Total Capital Revenue</b>	<b>6,311,997</b>	<b>3,366,417</b>	<b>2,945,580</b>	<b>15,324,143</b>	<b>10,099,251</b>	<b>5,224,892</b>	<b>24,214,310</b>	<b>63%</b>
<u>Capital Expenditure</u>								
Projects/Asset Purchases	11,403,543	15,781,953	4,378,410	36,553,530	47,084,922	10,531,392	72,273,902	51% <b>13*</b>
Debt Repayment	0	0	0	0	0	0	16,890,000	
<b>Total Capital Expenditure</b>	<b>11,403,543</b>	<b>15,781,953</b>	<b>4,378,410</b>	<b>36,553,530</b>	<b>47,084,922</b>	<b>10,531,392</b>	<b>89,163,902</b>	
<b>NET CAPITAL FUNDING REQUIRED</b>	<b>5,091,546</b>	<b>12,415,536</b>	<b>7,323,990</b>	<b>21,229,387</b>	<b>36,985,671</b>	<b>15,756,284</b>	<b>64,949,592</b>	
<b>Total External Borrowing</b>				<b>85,000,000</b>			<b>161,783,000</b>	

## Commentary - March Quarter Capital Revenue and Expenditure.

**\*11 Income - Development Contributions:** 97 development contribution invoices were generated in the 2017/18 Second Quarter totalling \$5.0m. The majority of these development contributions were for construction of a Hotel in Queenstown, two new commercial buildings and a consent application for a 55 unit apartment in Frankton, various residential sub-divisions at Jacks Point, Northlake and Hawea and for additional lodge suites at Glenorchy.

**\*12 Income - Grants & Subsidies Capex** - Reduction in NZTA income due to timing of the Eastern Access Road and re-allocation of NZTA capex budget to opex.

**\*13 Project Expenditure:** The largest spends for the 2017/18 Third Quarter were: Kawarau Falls bridge Crossing \$2.6m, Wanaka Aquatic Centre \$2.3m, Sealed Road Re-surfacing \$1.1m, Marine Parade Pumping Station \$0.5m and Eastern Access Road - Hawthorne Drive \$0.5m.

Statement of Financial Position (*Council only*)

As at 31 March 2018	Actual Mar-18 \$'000	Actual Mar-17 \$'000	Actual Variance \$'000	Annual Plan Jun-18 \$'000	Actual Jun-17 \$'000
<b>Current assets</b>					
Cash and cash equivalents	9,341	16,441	(7,100) *1	337	6,326
Trade and other receivables from non-exchange transactions	6,747	7,796	(1,049) *2	8,488	6,725
Trade and other receivables from exchange transactions	21,133	4,129	17,004 *2	1,838	6,605
Inventories	47	56	(9)	24	46
Current tax refundable	-	1	(1)	-	-
Other financial assets	13	10,013	(10,000) *3	15	10,013
Other current assets	528	637	(109)	716	797
Development property	-	-	-	-	-
<b>Total current assets</b>	<b>37,809</b>	<b>39,073</b>	<b>(1,264)</b>	<b>11,418</b>	<b>30,512</b>
<b>Non-current assets</b>					
Investment in subsidiaries	5,412	5,412	-	5,412	6,250
Other financial assets	2,972	2,968	4	1,924	2,134
Property, plant and equipment	1,136,673	1,047,442	89,231 *4	1,215,830	1,122,806
Intangible assets	1,389	1,410	(21)	-	673
Investment property	110,205	75,525	34,680 *5	63,560	110,205
<b>Total non-current assets</b>	<b>1,256,651</b>	<b>1,132,757</b>	<b>123,894</b>	<b>1,286,726</b>	<b>1,242,068</b>
<b>Total assets</b>	<b>1,294,460</b>	<b>1,171,830</b>	<b>122,630</b>	<b>1,298,144</b>	<b>1,272,580</b>
<b>Current liabilities</b>					
Trade and other payables from exchange transactions	18,721	20,671	(1,950)	14,637	22,618
Borrowings	223	223	-	48,000	17,223
Other current liabilities	22,262	10,325	11,937 *6	2,846	262
Employee entitlements	1,839	1,615	224	-	8,286
<b>Total current liabilities</b>	<b>43,045</b>	<b>32,834</b>	<b>10,211</b>	<b>65,483</b>	<b>49,694</b>
<b>Non-current liabilities</b>					
Borrowings	85,446	92,688	(7,242) *1	139,082	75,466
Other financial liabilities	1,298	2,458	(1,160)	-	1,298
<b>Total non-current liabilities</b>	<b>86,744</b>	<b>95,146</b>	<b>(8,402)</b>	<b>139,082</b>	<b>76,764</b>
<b>Total liabilities</b>	<b>129,789</b>	<b>127,980</b>	<b>1,809</b>	<b>204,565</b>	<b>126,458</b>
<b>Net assets</b>	<b>1,164,671</b>	<b>1,043,850</b>	<b>120,821</b>	<b>1,093,579</b>	<b>1,146,122</b>

As at 31 March 2018	Actual Mar-18 \$'000	Actual Mar-17 \$'000	Actual Variance \$'000	Annual Plan Jun-18 \$'000	Actual Jun-17 \$'000
<b>Equity</b>					
Reserves	555,374	465,989	89,385	459,430	555,374
Accumulated funds	609,297	577,861	31,436	634,149	590,748
<b>Total equity attributable to Council</b>	<b>1,164,671</b>	<b>1,043,850</b>	<b>120,821</b>	<b>1,093,579</b>	<b>1,146,122</b>

## Commentary

- \*1 Reduction in cash on hand offset by reduction in long term borrowings as existing cash reserves used to fund capital expenditure to date.
- \*2 Refer to Debtors Analysis for commentary.
- \*3 \$10M term deposit matured in December 2017.
- \*4 Three yearly infrastructure revaluation processed during FY17 year end process effective 1 July 2016 offset by a reduction in capital work in progress versus the prior year.
- \*5 Revaluation as at 30 June 2017.
- \*6 The current year includes income in advance of \$11.3M in relation to the 100 year Wanaka Airport lease to Queenstown Airport Corporation which commenced on 1 April 2018.

Borrowing Limits (%)	Actual Mar-18	Annual Plan Jun-18	Borrowing Limit		Actual Jun-17	Actual Jun-16
Interest Expense/Rates < 25%	7.8%	12.8%	25.0%	●	6.1%	7.8%
Interest Expense/Total Revenue < 15%	4.2%	7.1%	15.0%	●	3.2%	3.8%
Net Debt/Total Revenue < 175%	69.0%	154.6%	175.0%	●	73.5%	65.1%
Net Debt/Total Equity < 20%	7.4%	17.1%	20.0%	●	8.0%	7.6%

- Measure is well within the borrowing limit
- Measure is within 5% of the borrowing limit
- Measure is outside of the borrowing limit

## Debtors Analysis

As at 31 March 2018	Council		
	Mar-18 \$'000	Mar-17 \$'000	Variance \$'000
<b>From non-exchange transactions</b>			
Trade receivables	1,156	1,161	(5)
Infringement receivables	1,904	1,575	329 *1
Rates receivables	3,756	3,232	524 *3
New Zealand Transport Agency	1,318	2,812	(1,494) *4
Other	200	134	66
Allowance for doubtful debts	(1,587)	(1,118)	(469) *1
	<b>6,747</b>	<b>7,796</b>	<b>(1,049)</b>
<b>From exchange transactions</b>			
Trade receivables	18,715	2,327	16,388 *2
Other	2,672	2,091	581
Allowance for doubtful debts	(254)	(289)	35
	<b>21,133</b>	<b>4,129</b>	<b>17,004</b>
	<b>27,880</b>	<b>11,925</b>	<b>15,955</b>
<b>Age analysis</b>			
<b>Trade and other receivables (excluding rates)</b>			
	Council		
	Mar-18	Mar-17	Variance
	\$'000	\$'000	\$'000
Current (0-30 days)	22,459	6,892	15,567 *2
31-60 days *	415	271	144
61-90 days *	384	628	(244)
90 days + *	2,707	2,309	398 *1
	<b>25,965</b>	<b>10,100</b>	<b>15,865</b>
<b>Rates receivables</b>			
Current year rates (overdue) *	1,982	2,146	(164) *3
Previous years rates *	1,774	1,086	688 *3
	<b>3,756</b>	<b>3,232</b>	<b>524</b>
Allowance for doubtful debts	(1,841)	(1,407)	(434)
	<b>27,880</b>	<b>11,925</b>	<b>15,955</b>

\* Amounts are considered past due.

### Commentary

- \*1 Infringement receivables continues to increase with \$1.6m in over 90 days due to an increase in the number of infringements being issued. The allowance for doubtful debts includes \$1.5m for infringements.
- \*2 The variance for Trade receivables from exchange transactions relates to an increase in sundry debtors which included a receivable of \$15.4m from Queenstown Airport Corporation. This was settled in April 2018.
- \*3 The Local Government (Rating) Act has mechanisms available to recover overdue rates via a charge on the mortgage for mortgaged properties or via sale of the property for rates balances less than 6 years old. Late payment penalties of 10% are charged on all overdue rates balances relating to prior rating years as at 31 October and 31 March each year whilst 10% penalties are also applied to overdue rates instalments relating to the current rating year in accordance with legislation. The arrears penalty as at 31 March 2018 was processed in April 2018 following the issue of rates reminder letters for overdue rates in mid March 2018. This contributed to a reduction in overdue rates for the current year.
- \*4 Receivables from NZTA are affected by the timing of capital and operating expenditure for roading where costs are funded by NZTA. The prior year activity included the Eastern Access Road.