

**Audit, Finance & Risk Committee  
19 February 2019****Report for Agenda Item: 1****Department: Finance, Legal & Regulatory****2018:19 Quarter 2 Actual to Quarter 2 Budget Financial Overview  
2018:19 Quarter 2 Full Year Re-forecast to Full Year Budget Overview  
2018:19 Quarter 2 Capital Expenditure Reporting Overview  
2018:19 Quarter 2 Statement of Financial Position  
2018:19 Debtors Analysis****Purpose**

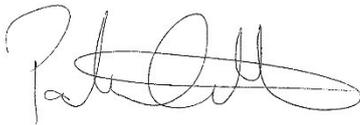
The purpose of this report is to present the 2018:19 Quarter 2 Actual to Budget, 2018:19 Full Year Q2 Re-forecast to Full Year Actuals and 2018:19 Quarter 2 Capital Expenditure financial results and to report on any significant transactions and/or variances to budget.

**Recommendation**

That the Audit, Finance & Risk Committee:

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

Prepared by:



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Financial Advisory Manager

8/02/2019

Reviewed and Authorised by:



Stewart Burns  
GM – Finance, Legal &  
Regulatory  
8/02/2019

## 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.

## Comment

### 2018:19 Quarter 2 Actuals to Quarter 2 Budget:

2. The December end actuals has a \$4.2m net operating surplus which is \$5.6m favourable to the Budget net operating deficit of (\$1.4m)
3. The December end actuals shows additional revenue of \$3.8m which is predominately due to Operational Income \$4.2m which includes \$1.8m received as part of a Lakeview Sale.
4. The full year actuals has additional expenses within Infrastructure Maintenance \$1.5m and Other \$0.4m, which is offset by lower net personnel expenditure (\$0.4m) and lower Interest expense charge of (\$1.8m).

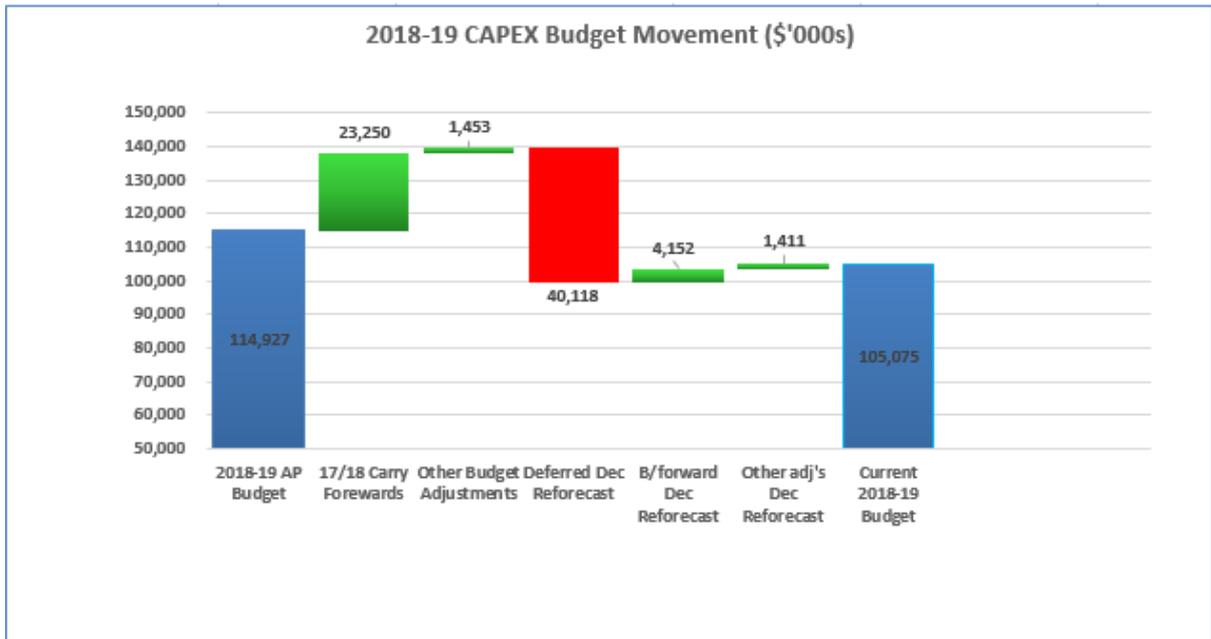
### Quarter 2 Full Year Q2 Re-forecast to Full Year Budget Overview:

5. The Full Year Re-forecast has a (\$1.2m) net operating deficit which is (\$19.2m) unfavourable to the Budget net operating surplus of \$17.9m. This is predominately due to the Commonage Land sale which has been deferred to the 2019:20 financial year.
6. Within revenue there is additional income expected within Planning and Development's Consenting Income \$0.4m, Pay and display Car Parking \$0.3m, Refuse income \$0.5m and Turnover rents \$0.3m along with an expected increase in NZTA subsidies \$0.7m and internal chargeable capex recoveries \$0.5m.
7. Within expenditure there is forecasted additional costs within Planning and Development for Consenting processing and District Plan works (\$2.7m) and Infrastructure Maintenance works (\$2.6m) (which is partially offset with an increase in NZTA subsidies per above).

### 2018:19 Quarter 2 Capital Expenditure Reporting Overview:

8. The Full Year Adjusted Budget is \$105m which is \$10m less than the original budget of \$115m. The movement is made up of \$23m carry forward amounts from 2017:18 financial year and \$40.1m of deferred spend predominately within Transport \$13.1m and \$18.1m within 3 waters due to the re-programming of bundling works and HIF related works. The YTD variance is predominately within Property and Infrastructure which includes the North East Frankton Stormwater project which had a delayed start and Project Shotover new Waste Water disposal field which is nearing completion. Project Shotover is expected to come in under budget which will be signalled in the March/April 2019 capex re-forecast.

9. Snapshot below shows the movement between the 2018:19 budget and Q2 Re-forecast.



## Options

10. Option 1 The report is for noting, therefore no options are discussed.

## Significance and Engagement

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

## Financial Implications

12. 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

13. The following Council policies, strategies and bylaws were considered:

- Long Term Plan 2018 – 2028
- Annual Plan 2018/2019
- Refer to online documents here: <http://www.gldc.govt.nz/policies>

14. The recommended option is consistent with the principles set out in the named policy/policies.

## Local Government Act 2002 Purpose Provisions

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

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

16. Consultation is not required.

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

17. 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 – 2018:19 Quarter 2 Actuals to Quarter 2 Budget
- B Finance Management Report – 2018:19 Full Year Re-forecast to Full Year Budget Overview
- C Finance Management Report – 2018:19 Quarter 2 Capital Expenditure Reporting Overview
- D Statement of Financial Position
- E Debtors Analysis

## Finance Management Report

For the Period Ended 31 December 2018

## Operating Expenditure and Revenue

Description	QTR 2 Actual	QTR 2 Adjusted Budget	Variance to Budget
<b>REVENUE</b>			
<u>Operating Revenue</u>			
Income - Rates	18,523,206	18,549,215	(26,009)
Income - Grants & Subsidies	1,303,865	1,310,099	(6,233)
Income - NZTA External Cost Recoveries	743,676	559,571	184,105
Income - Consents	3,270,051	3,293,419	(23,368)
Income - External Cost Recovery	223,767	513,948	(290,180)
Income - Regulatory	1,502,734	1,594,320	(91,587)
Income - Operational	8,231,622	5,752,730	2,478,892
<b>Total Operating Revenue</b>	<b>33,798,921</b>	<b>31,573,302</b>	<b>2,225,619</b>

			% of Year Completed		50%
Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Budget	YTD Actuals to Full Year Budget	
37,000,732	37,098,431	(97,698)	74,196,862	50%	
2,938,061	2,753,379	184,682	5,372,665	55% <b>1*</b>	
1,300,770	1,119,142	181,628	2,238,284	58%	
6,771,626	6,725,221	46,405	13,358,187	51%	
479,318	1,048,499	(569,181)	2,083,262	23% <b>2*</b>	
3,018,663	3,188,641	(169,978)	6,377,282	47% <b>3*</b>	
19,954,146	15,732,559	4,221,587	57,222,528	35% <b>4*</b>	
<b>71,463,315</b>	<b>67,665,872</b>	<b>3,797,444</b>	<b>160,849,069</b>	<b>44%</b>	

## EXPENDITURE

Description	QTR 2 Actual	QTR 2 Adjusted Budget	Variance to Budget
<u>Personnel Expenditure</u>			
Expenditure - Salaries & Wages	7,756,946	7,845,752	88,806
Expenditure - Salaries & Wages Contract	1,457,567	1,169,369	(288,197)
Expenditure - Health Insurance	53,748	66,875	(13,127)
<b>Total Personnel Expenditure</b>	<b>9,268,261</b>	<b>9,081,996</b>	<b>(186,265)</b>

Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Budget	YTD Actuals to Full Year Budget
14,752,471	15,707,288	954,817	30,375,378	49% <b>5*</b>
2,928,653	2,369,405	(559,247)	4,718,366	62% <b>6*</b>
87,416	133,750	(46,334)	267,500	33%
<b>17,768,539</b>	<b>18,210,443</b>	<b>441,904</b>	<b>35,361,245</b>	<b>50%</b>

## Operating Expenditure

Description	QTR 2 Actual	QTR 2 Adjusted Budget	Variance to Budget
Expenditure - Professional Services	819,708	1,167,122	347,413
Expenditure - Legal	728,565	743,432	14,868
Expenditure - Stationery	75,792	98,325	22,532
Expenditure - IT & Phones	203,410	188,246	(15,164)
Expenditure - Commercial Rent	486,761	549,139	62,377
Expenditure - Vehicle	218,229	155,325	(62,904)
Expenditure - Power	687,458	832,968	145,510
Expenditure - Insurance	212,550	180,004	(32,546)
Expenditure - Infrastructure Maintenance	7,100,696	6,137,649	(963,047)
Expenditure - Parks & Reserves Maintenance	1,901,652	1,986,038	84,386
Expense - External Cost On Chargeable	341,891	513,948	172,056
Expenditure - Grants	1,401,040	1,431,013	29,973
Expenditure - Other	4,115,523	3,766,726	(348,797)
<b>Total Operating Expenditure</b>	<b>18,293,275</b>	<b>17,749,934</b>	<b>(543,341)</b>

Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Budget	YTD Actuals to Full Year Budget
1,968,192	2,342,743	374,551	4,676,990	42% <b>7*</b>
1,348,978	1,486,865	137,887	2,973,730	45% <b>8*</b>
156,073	196,650	40,576	393,299	40%
416,568	376,491	(40,077)	752,983	55%
955,160	1,107,268	152,109	2,244,021	43% <b>9*</b>
321,796	310,650	(11,146)	621,300	52%
1,537,332	1,665,935	128,603	3,331,870	46% <b>10*</b>
395,705	360,009	(35,696)	720,017	55%
14,140,182	12,659,652	(1,480,530)	25,118,496	56% <b>11*</b>
3,229,524	3,481,074	251,550	10,369,038	31% <b>12*</b>
634,720	1,048,499	413,779	2,083,262	30% <b>2*</b>
2,949,149	2,960,743	11,593	6,580,280	45%
7,172,222	6,785,108	(387,114)	13,249,164	54% <b>13*</b>
<b>35,225,602</b>	<b>34,781,687</b>	<b>(443,916)</b>	<b>73,114,451</b>	<b>48%</b>

## Interest and Depreciation

Description	QTR 2 Actual	QTR 2 Adjusted Budget	Variance to Budget
Expenditure - Interest	1,412,501	2,322,440	909,939
Expenditure - Depreciation	5,684,585	5,684,585	0
<b>Total Interest and Depreciation</b>	<b>7,097,086</b>	<b>8,007,025</b>	<b>909,939</b>

Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Budget	YTD Actuals to Full Year Budget
2,858,750	4,644,881	1,786,131	9,289,761	31% <b>14*</b>
11,386,174	11,386,174	0	25,148,122	45%
<b>14,244,924</b>	<b>16,031,055</b>	<b>1,786,131</b>	<b>34,437,884</b>	<b>41%</b>

<b>Total Expenditure</b>	<b>34,658,622</b>	<b>34,838,955</b>	<b>180,334</b>
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<b>67,239,065</b>	<b>69,023,185</b>	<b>1,784,120</b>	<b>142,913,579</b>	<b>47%</b>
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<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>(859,701)</b>	<b>(3,265,654)</b>	<b>2,405,953</b>
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<b>4,224,250</b>	<b>(1,357,313)</b>	<b>5,581,563</b>	<b>17,935,490</b>
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## Capital Revenue and Expenditure

Description	QTR 2 Actual	QTR 2 Adjusted Budget	Variance to Budget
<u>Capital Revenue</u>			
Income - Development Contributions	5,383,757	4,059,794	1,323,963
Income - Vested Assets	0	0	0
Income - Grants & Subsidies Capex	1,068,562	2,382,874	(1,314,312)
<b>Total Capital Revenue</b>	<b>6,452,319</b>	<b>6,442,668</b>	<b>9,651</b>

Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Adjusted Budget	YTD Actuals to Full Year Budget
8,094,916	8,119,588	(24,672)	16,239,175	50%
0	0	0	10,733,077	0%
1,982,916	3,779,147	(1,796,231)	10,571,695	19%
<b>10,077,833</b>	<b>11,898,735</b>	<b>(1,820,902)</b>	<b>37,543,947</b>	<b>27%</b>

## Capital Expenditure

Description	QTR 2 Actual	QTR 2 Adjusted Budget	Variance to Budget
Projects/Asset Purchases	12,459,960	18,917,088	6,457,128
Debt Repayment	0	0	0
<b>Total Capital Expenditure</b>	<b>12,459,960</b>	<b>18,917,088</b>	<b>6,457,128</b>

Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Adjusted Budget	YTD Actuals to Full Year Budget
21,470,997	29,116,163	7,645,166	105,074,827	20%
0	0	0	16,890,000	
<b>21,470,997</b>	<b>29,116,163</b>	<b>7,645,166</b>	<b>121,964,827</b>	

<b>NET CAPITAL FUNDING REQUIRED</b>	<b>6,007,641</b>	<b>12,474,421</b>	<b>6,466,780</b>
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<b>11,393,165</b>	<b>17,217,428</b>	<b>9,466,069</b>	<b>84,420,880</b>
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## External Borrowing

Loans	0		0
Bonds	95,000,000		187,082,000
<b>Total Borrowing</b>	<b>95,000,000</b>		<b>187,082,000</b>


## Commentary - Operational

<b>*1 Income - Grants &amp; Subsidies</b> - NZTA opex subsidy income is \$210k favourable year to date due to timing of environmental maintenance work (which offsets in Infrastructure maintenance costs - See Note.11 below) along with increased funding by NZTA towards this activity. For noting: NZTA Funding Assistant Rates (FAR) for Glenorchy and Crown Range SPRs are to stay at 100% and 90% for 2018:19 (Budgeted at 92% and 84%)
<b>*2 Income - External Cost Recovery</b> - This is the income received from on-charging external consultant costs mostly in relation to consent applications. The expense matching this income is below in the expense line - external cost on chargeable is YTD favourable. The difference between income and expense is due to timing of raising the invoice for on-charging.
<b>*3 Income - Regulatory</b> - Greater awareness of the Responsible Camping policy has seen more compliance from the public and therefore campervan infringements is down (\$138k) on budget. Parking infringements income is also down on budget by (\$161k) however this is expected to be caught up over summer and with CCTV getting fully introduced after delays with installations due to agreements with building owners. This is partially offset by increased carpark revenue via Pay&Display machines \$155k.
<b>*4 Income - Operational</b> - The Queenstown Airport final 2017:18 dividend has been received for \$5.4m which is \$430k above Full Year budget. Turnover rents totalling \$371k are favourable to budget as is net interest of \$642k. Rates penalties are up on budget by \$402k. Council also received \$1.8m as part of a Lakeview sale.
<b>*5 Expenditure - Salaries and Wages</b> - The favourable year to date variance of \$954k for salaries and wages is due to carrying vacancies through the year in Planning & Development \$528k, Property & Infrastructure \$204k and Community Services \$192k.
<b>*6 Expenditure - Salaries and Wages Contract Staff</b> - There is an additional \$559k of contract staff processing costs within Planning & Development to cover vacancies which is partially offset by their additional revenue within Consenting income. Property & Infrastructure and Finance have combined \$166k of unbudgeted contract staff spend to cover vacancies.
<b>*7 Expenditure - Professional Services</b> - There is currently an underspend within Property & Infrastructure for \$194k and Corporate Services \$202k which is expected to be caught up during the year. To note \$340k of year to date HIF related costs has been transferred to Capital Work in Progress within the Balance Sheet due to the expectation that a proportion of the HIF related costs will be capitalised.
<b>*8 Expenditure - Legal</b> - Legal costs for the district plan have reduced and are now \$132k favourable YTD due to a fixed term internal role for the DP within the legal team.
<b>*9 Expenditure - Commercial Rent</b> - This favourable variance is due to not having commenced the Frankton library lease until December \$130k YTD saving.
<b>*10 Expenditure - Power</b> - There has been reduced power and gas expenditure for Alpine Aqualand (\$29k YTD fav) due to the 6 week pool closure and an \$84k YTD underspend for Wanaka Rec Centre and Pool which will be a permanent difference.
<b>*11 Expenditure - Infrastructure Maintenance</b> - The unfavourable year to date variance of \$1.4m includes \$559k emergency reinstatement costs (Funding to be requested from NZTA) along with \$365k unfavourable spend within Environmental Maintenance due to timing of expenditure (69% of annual budget spent) and \$102k subsidised footpath maintenance works. This is partially offset with favourable variances across a number of other activities (See Income - Grants and subsidies Note. 1). Refuse is \$717k unfavourable year to date which includes \$348k refuse disposal costs (carbon credits, glass to Landfill, tyres), \$294k Landfill costs (due to increasing volumes of waste) and \$167k Recycling costs (due to increased collections) which is partially offset with \$249k additional income.
<b>*12 Expenditure - Parks &amp; Reserves Maintenance</b> - The favourable YTD variance is predominantly due to timing of the Park's contracts expenditure (\$280k) which is being caught up over the summer months.
<b>*13 Expenditure - Other</b> - There is additional \$415k Commissioner costs required within Planning & Development due to the District Plan process.
<b>*14 Expenditure - Interest</b> - Interest expense is favourable due to lower than expected interest rates and timing of capex spend which is mainly within Property & Infrastructure space where the interest budget is phased straight line.

## Commentary - Capital Revenue and Expenditure

<b>*15 Income - Development Contributions</b> - 316 Development contribution invoices across the District have been generated YTD for Waste Water \$2.4m, Transport \$2.2m, Parks & Reserves \$1.8m, Water Supply \$1.4m and Storm Water \$295k.
<b>*16 Income - Grants &amp; Subsidies Capex</b> - Variance reflects the updated Full Year Adjusted Capex position.
<b>*17 Project Expenditure</b> - The Full Year Adjusted Budget is \$105m which is \$10m less than the original budget of \$115m. The movement is made up of \$23m carry forward amounts from 2017:18 financial year and \$40.1m of deferred spend predominately within Transport \$13.1m and \$18.1m within 3 waters due to the re-programming of bundling works and HIF related works. The YTD variance is predominately within Property & Infrastructure which includes the North East Frankton Stormwater project which had a delayed start and Project Shotover new Waste Water disposal field which is nearing completion. Project Shotover is expected to come in under budget which will be signalled in the March/April 2019 capex re-forecast.

## Finance Management Report

## Quarter 2 Full Year Re-Forecast

## Operating Expenditure and Revenue

Description	Full Year Q2 Re-forecast	Full Year Budget	Variance to Budget
<b>REVENUE</b>			
<u>Operating Revenue</u>			
Income - Rates	74,196,862	74,196,862	0
Income - Grants & Subsidies	6,035,851	5,372,665	663,186 1*
Income - NZTA External Cost Recoveries	2,757,633	2,238,284	519,349 2*
Income - Consents	13,653,197	13,358,187	295,010 3*
Income - External Cost Recovery	1,458,262	2,083,262	(625,000) 4*
Income - Regulatory	6,729,776	6,377,282	352,493 5*
Income - Operational	37,716,248	57,222,528	(19,506,280) 6*
<b>Total Operating Revenue</b>	<b>142,547,828</b>	<b>160,849,069</b>	<b>(18,301,242)</b>
<b>EXPENDITURE</b>			
<u>Personnel Expenditure</u>			
Expenditure - Salaries & Wages	30,375,378	30,375,378	0
Expenditure - Salaries & Wages Contract	5,509,316	4,718,366	(790,950) 7*
Expenditure - Health Insurance	308,799	267,500	(41,299)
<b>Total Personnel Expenditure</b>	<b>36,193,493</b>	<b>35,361,245</b>	<b>(832,248)</b>
<u>Operating Expenditure</u>			
Expenditure - Professional Services	4,871,421	4,676,990	(194,431) 8*
Expenditure - Legal	3,395,385	2,973,730	(421,655) 9*
Expenditure - Stationery	393,299	393,299	0
Expenditure - IT & Phones	819,100	752,983	(66,117)
Expenditure - Commercial Rent	2,253,806	2,244,021	(9,785)
Expenditure - Vehicle	701,300	621,300	(80,000)
Expenditure - Power	3,266,011	3,331,870	65,859
Expenditure - Insurance	877,949	720,017	(157,932) 10*
Expenditure - Infrastructure Maintenance	27,706,925	25,118,496	(2,588,428) 11*
Expenditure - Parks & Reserves Maintenance	10,438,250	10,369,038	(69,212)
Expense - External Cost On Chargeable	1,458,262	2,083,262	625,000 4*
Expenditure - Grants	6,580,280	6,580,280	0
Expenditure - Other	13,975,695	13,249,164	(726,531) 12*
<b>Total Operating Expenditure</b>	<b>76,737,683</b>	<b>73,114,451</b>	<b>(3,623,232)</b>
<u>Interest and Depreciation</u>			
Expenditure - Interest	5,717,499	9,289,761	3,572,262
Expenditure - Depreciation	25,148,122	25,148,122	0
<b>Total Interest and Depreciation</b>	<b>30,865,621</b>	<b>34,437,884</b>	<b>3,572,262</b>
<b>Total Expenditure</b>	<b>143,796,797</b>	<b>142,913,579</b>	<b>(883,218)</b>
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>(1,248,970)</b>	<b>17,935,490</b>	<b>(19,184,460)</b>

## Capital Revenue and Expenditure

Description	Full Year Re-forecast	Full Year Budget	Variance to Budget
<u>Capital Revenue</u>			
Income - Development Contributions	16,239,175	16,239,175	0
Income - Vested Assets	10,733,077	10,733,077	0
Income - Grants & Subsidies Capex	7,381,167	10,571,695	(3,190,527) 14*
<b>Total Capital Revenue</b>	<b>34,353,420</b>	<b>37,543,947</b>	<b>(3,190,527)</b>
<u>Capital Expenditure</u>			
Projects/Asset Purchases	84,059,862	105,074,827	21,014,965 15*
Debt Repayment	0	16,890,000	16,890,000
<b>Total Capital Expenditure</b>	<b>84,059,862</b>	<b>121,964,827</b>	<b>37,904,965</b>
<b>NET CAPITAL FUNDING REQUIRED</b>	<b>49,706,442</b>	<b>84,420,880</b>	<b>34,714,438</b>
<b>Total External Borrowing</b>	<b>100,000,000</b>	<b>187,082,000</b>	

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

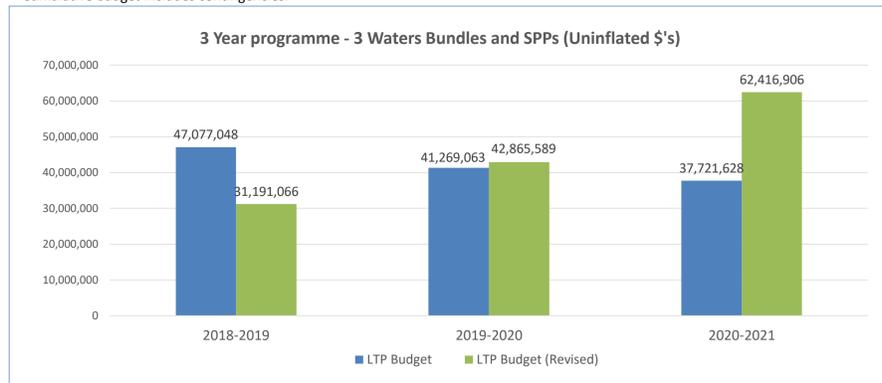
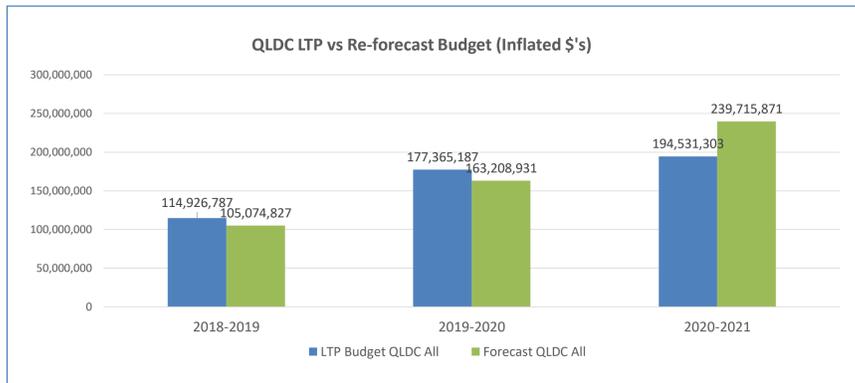
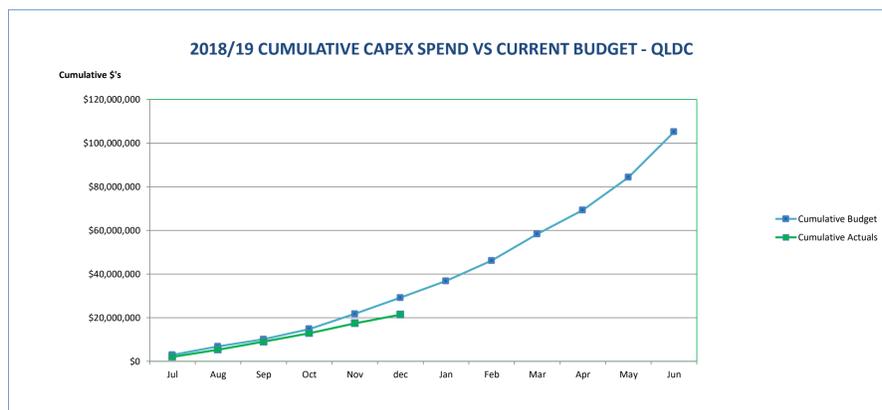
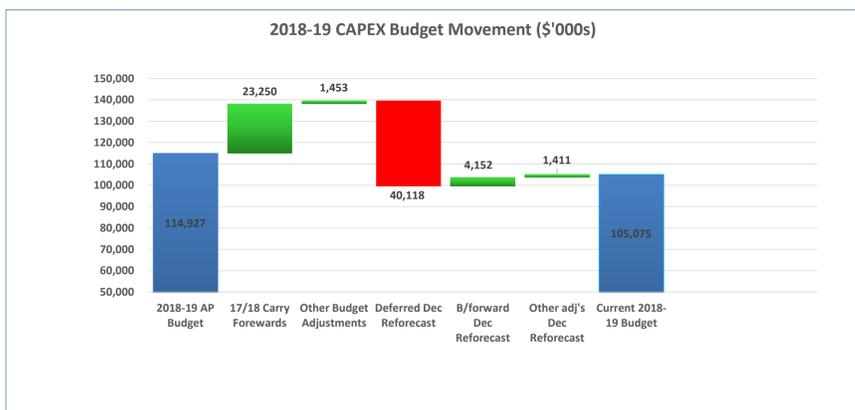
*1 <b>Income - Grants &amp; Subsidies</b> - There is \$597k additional roading subsidy expected from NZTA funding including emergency reinstatement works \$270k, Footpath maintenance \$101k and Environmental maintenance works \$225k. Also there is \$99k adjustment to funding from Glenorchy and Crown Range SPRs as their subsidies are to remain at 100% & 90%. (Budgeted at 92% and 84%)
*2 <b>Income - NZTA External Cost Recoveries</b> - Following an internal chargeable time review there is an expected \$480k increase for capex recoveries.
*3 <b>Income - Consents</b> - A run rate review expects a \$798k increase for additional P&D consenting income which is offset by the budgeted development contributions officers hours no longer getting on-charged to the application (\$321k) and a reduction in LIM revenue (\$100k)
*4 <b>Income - External Cost Recovery</b> - Resource Management has \$650k decrease in expected technical consultants use which is on-charged (Offset below in Expenditure - On chargeable)
*5 <b>Income - Regulatory</b> - There is continued high demand for pay and display car parking \$300k.
*6 <b>Income - Operational</b> - Commonage land sale has been deferred to 2019:20 financial year which has been partially offset with \$1.8m received as part of a Lakeview sale proceeds, there is additional Refuse income \$511k (offset with additional Expenditure - Infrastructure Maintenance Note 11. below) and there is expected additional income from turnover rents \$300k.
*7 <b>Expenditure - Contract Staff</b> - There is an expected \$733k additional expenditure for increase use of contractors and associated non-chargeable costs within P&D (Offset above in No. 3 Income - Consents.)
*8 <b>Expenditure - Professional Services</b> - Following a review of the District Plan's expected programming there is an additional \$200k for technical review of the District Plan and there is an \$86k increase for Regulatory enforcement of Significant Natural Areas.
*9 <b>Expenditure - Legal</b> - There is a number of current appeals within Resource Management which will require additional expenditure \$479k which is partially offset by (\$50k) reduction in District Plan's legal costs due to internal capability.
*10 <b>Expenditure - Insurance</b> - There has been a Three Waters Insurance premium increase of \$158k due to current market rates
*11 <b>Expenditure - Infrastructure Maintenance</b> - There is expected to be additional Roading costs of \$550k Emergency reinstatement Costs and \$200k Footpath maintenance (which is partially offset with NZTA subsidy income in Note. 1 above). Refuse has a \$1.27m increase based on current volumes and additional carbon credits price increases which is offset with additional \$0.5m income (See Note 6. above Income - Operational). Stormwater has additional \$260k for an additional mud tank crew added. Wastewater & Water Supply is forecasted to increase by \$174k due to additional operators to expand capacity.
*4 <b>Expenditure - External Cost On Chargeable</b> - \$650k for decreased Resource Consent on-chargeable consultant expenditure needed. (See offset in Note. 4 above)
*12 <b>Expenditure - Other</b> - There is \$108k increase in placement expenditure needed in HR for recruitment and relocation, \$400k additional expenditure is needed within District Plan Commissioner costs relating to Stage 2 hearings and decision reports and \$100k increase in cleaning costs of Council Offices.
*13 <b>Expenditure - Interest</b> - Re-forecast costs has adjusted due to lower than expected interest rates and timing of capex spend.

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

*14 <b>Income - Grants &amp; Subsidies Capex</b> - Variance reflects the updated Full Year Adjusted Capex position.
*15 <b>Project Expenditure</b> - Full Year adjusted budget has been updated to reflect the 2017:18 carry forwards and 2018:19 deferred budgets as approved by Council. The re-forecast reflects 80% of the Full Year Adjusted Budget in-line with the master schedule particularly within the 3 Waters programme. This adjustment is based on 80% target cost of the Full Year Adjusted Budget (excluding contingencies)

Finance Quarterly CAPEX Project Report - July to December 2018

High Level Capex Budget movement for 2018:19

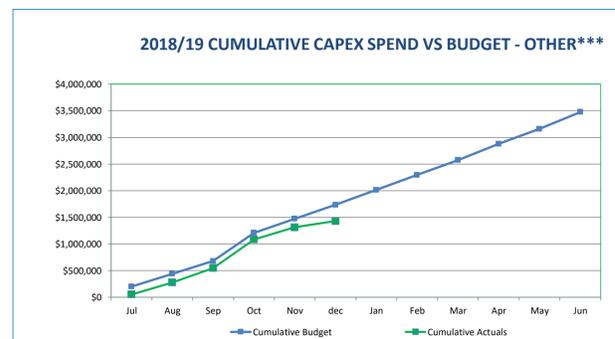
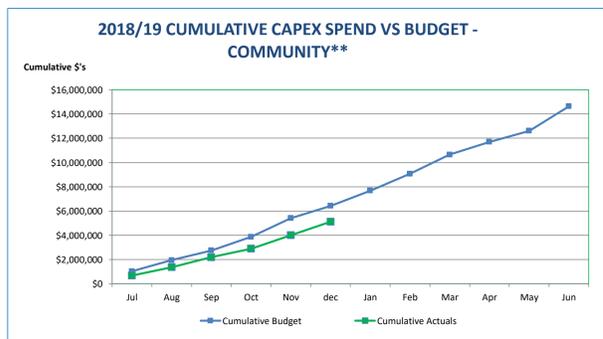
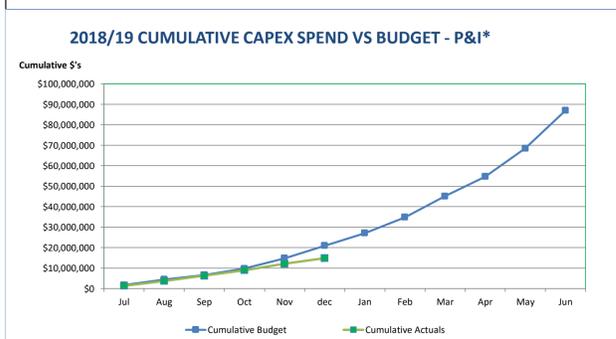


\*Note: The 2020:21 Forecast only reflects updates for the 3 waters bundles and other projects deferred to 2020:21 through the 2019:20 AP Review process

**Programme Comments:** The complexity and scale of the 3 Waters Programme has led to a bundled approach to take this work to market. To ensure the efficient and effective delivery of asset improvements, similar and compatible types of work have been bundled together into packages, representing approximately 60 projects. A number of project budgets in the 3 year programme have been re-phased to reflect this delivery approach and are consistent with the long term plan. The overall QLDC capex programme has been updated to reflect the 3 water bundles programming, the 2019:20 Annual Plan Capex budget update and the December 2018:19 Capex re-forecast.

Summary Jul-Dec 2018 CAPEX Budget Vs Actuals

Programme	2018/19 Full Year Budget	July to December Actuals	Var	% of budget spent	Major Project Variances Comments
Buildings	6,473,574	1,663,129	4,810,445	26%	<b>Project Connect</b> \$500k budget with Spend of \$177k. Remains in feasibility stage and considering delivery/procurement strategy – specifically exploring potential for Joint venture. \$5.23m has been deferred to 2020:21 in Dec18 re-forecast. <b>Wanaka office improvements</b> \$1.085m budget with a \$375k spend.
Camp Grounds	61,000	-	61,000	0%	\$0 actual spend towards \$61k budget
Land	2,053,645	5,592	2,048,053	0%	<b>Wanaka Land Reserve</b> \$2m provision not yet allocated
Libraries	857,371	432,963	424,408	50%	<b>Wakatipu library service</b> \$375k budget with \$262k actuals for the Frankton library and \$280k spent or committed to for library stock purchases of a \$308k annual budget.
Parks and Reserves	8,521,174	3,227,863	5,293,311	38%	<b>Wanaka Lakefront Development Plan</b> \$3.2m budget with actuals of \$917k - Works completed for stage 1 (Aspiring Rd Carpark) Dec 18 and stage 2 (new path/landscaping) by June 19. Queenstown Gardens Development Plan \$550k budget with a \$0 spend. Tender is underway for design. <b>Transfer station upgrades &amp; new recycling crates/bins</b> \$1.6m budget - Contract has been awarded and monies will be spent prior to start date of 01 July 2019.
Solid Waste	2,642,701	80,506	2,562,195	3%	
Storm Water	10,575,458	987,772	9,587,686	9%	<b>NE Frankton Stormwater</b> \$7.3m budget with actual spend \$439k - Mobilisation occurred on 21st January 2019 and Construction between February 2019 and October 2019.
Transport	30,113,013	4,675,921	25,437,093	16%	<b>Qtn Parking Improvements</b> \$1.5m revised budget with actuals of \$346k. Budget \$8.7m deferred to 21/22. Balance 18/19 to progress options/ site investigations. <b>Qtn Town Centre Pedestrianisation</b> \$2.5m budget with actuals of \$227k - Budget \$2.4m deferred to 19/20 to complete Brecon and Upper Beach St upgrades. Balance 18/19 to progress with design. <b>Ballantyne Rd</b> \$2.3m budget with \$63k actuals - DBC underway. Options will need to be agreed with NZTA & Wanaka Community Board. May miss 2018:19 sealing season. <b>Renewals</b> \$8.5m budget with actuals of \$1.0m - Roading works typically completed Oct-Apr.
Venues and Facilities	5,373,149	1,515,145	3,858,004	28%	<b>Two new courts</b> added to current stadium \$920k budget with no actuals. QEC/WRC masterplans currently underway and due 1st March 2019 <b>Arrowtown Community Pool Refurbishment</b> \$500k budget with actuals of \$9k. Concept currently being finalised.
3 Waters Programme Delivery	60,020	60,020	-	100%	Procurement and Programme Management costs to be allocated to 3-waters projects on a quarterly basis.
Information Management	1,439,412	658,309	781,103	46%	<b>Enterprise system</b> \$725k budget with actuals of \$373k. Forecast balance spread over the remainder of 2018:2019
Regulatory and Civil Defence	39,500	3,585	35,915	9%	<b>Parking Officer Personal Transportation</b> - Budget \$30k with no actuals
Waste Water	18,246,974	5,101,904	13,145,070	28%	Projects now rephased to reflect master schedule. Forecast expenditure 80% of revised budget which includes contingency. <b>Luggate new WWPS &amp; Cxn to Project Pure</b> \$3m budget with actuals of \$188k. Construction underway until July 2019. <b>Project Shotover disposal field</b> \$3.1m budget with actuals of \$1.7m. Project nearing completion with planting still to be completed. <b>Quail Rise HIF WW servicing</b> \$1.4m budget with actuals of \$47k. NZTA managed project underway on SH6 to be completed 2018:19.
Water Supply	18,617,836	3,130,493	15,487,343	17%	Projects now rephased to reflect master schedule. Forecast expenditure 80% of revised budget which includes contingency. <b>Beacon Point Reservoir</b> \$950k revised budget with actuals of \$91k. Concept design to be completed by August 2019. <b>Frankton WS Ring Main (Robertson St)</b> \$1.87m budget with actuals of \$198k - Stage 1 of the construction complete in December 2018 and stage 2 of the construction between February 2019 and May 2019 <b>Water Supply - Renewals</b> \$2.6m budget vs actuals \$911k will be spent by June 18.
Grand Total	105,074,827	21,543,202	83,531,625	21%	



\*P&I tracking below budget for 3 waters projects including project Shotover new WW disposal, N East Frankton stormwater and wastewater treatment screenings facility. Overall programme physical delivery is on track to the work schedule. To note - Cumulative budget includes contingencies.

\*\*Actuals below budget due to minimal spend started on Glenorchy new toilet, two new courts added to the stadium and the Arrowtown Community pool refurb which are expected to be spent during the year.

\*\*\*Actuals below budget due to underspends on the enterprise system and GIS software and projects within Knowledge Management.

Variance Reporting  
Top Ten Individual Project Variances Year to Date Spend vs Full Year Budget

Programme	Project Code	Project Description	Project Manager	2018/19 Full Year Budget	December 2018 YTD Actual	Var	Comments
Land	000565	Wanaka Land Reserve	Richard Pope	2,000,000	0	2,000,000	\$2m provision not yet allocated
Parks and Reserves	000894	Wanaka Lakefront Development Plan	Thunes Cloete	3,212,513	917,178	2,295,335	Projects underway incl completion of Mt Aspiring Rd carpark. Stage 2 (new path/landscaping) to commence construction Feb/March 19
Storm Water	000728	N East Frankton Stormwater conveyance	Caroline Dumas	7,269,758	438,747	6,831,011	Mobilisation occurred on 21st January 2019 and Construction between February 2019 and October 2019.
Transport	000850	Queenstown Town Centre Pedestrianisation	Pete Hansby	2,500,000	227,173	2,272,828	Revised \$2.5m budget. \$2.4m deferred to 19/20 to complete Brecon and Upper Beach St upgrades. Balance 18/19 to progress with design.
Transport	000580	Ballantyne Road Reseal	Tony Pickard	2,317,868	63,136	2,254,732	Annual Plan 2019:20 capex request to increase by \$1.7m. Likely to be construction 2019:20
Transport	000074	Glenorchy SPR - Minor improvements	Erin Moogan	1,824,035	223,615	1,600,420	Additional \$769k budget brought forward from Year 3 required to complete Bennetts Bluff safety improvements (project cost approx \$900k). NZTA approved budget.
Waste Water	000883	Luggate new WWPS & Cxn to Project Pure	Caroline Dumas	3,003,082	187,568	2,815,514	Forecast to be spent during 2018:19 year. Construction underway until July-2019
Waste Water	000464	Project Shotover new WW Disposal Field	Lane Vermaas	3,096,416	1,702,985	1,393,431	Project nearing completion with planting still to be completed. Surplus expected by year end.
Waste Water	000862	Quail Rise HIF WW servicing	Belinda Evert	1,439,242	47,080	1,392,162	NZTA managed project underway on SH6 to be completed 2018:19.
Water Supply	000553	Frankton WS Ring Main (Robertson St)	Caroline Dumas	1,871,661	198,165	1,673,496	Stage 1 of the construction complete in December 2018 and stage 2 of the construction between February 2019 and May 2019
<b>Top 10 Projects Var to Budget</b>				<b>\$ 28,534,575</b>	<b>\$ 4,005,647</b>	<b>\$ 24,528,928</b>	

Next Steps:

A Risks and Issues Register will be developed for the next ELT capex reporting. The 3 waters team is currently developing a risks and issues register and finance will work with GM's and capex budget managers to update for projects outside non 3 waters programme of works.

## Statement of Financial Position (Council only)

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As at 30 September 2018	Actual Dec-18 \$'000	Actual Dec-17 \$'000	Actual Variance \$'000	Annual Plan Jun-19 \$'000	Actual Jun-18 \$'000
<b>Current assets</b>					
Cash and cash equivalents	12,229	10,671	1,558	336	10,028
Trade and other receivables from non-exchange transactions	7,948	6,979	969	9,435	5,957
Trade and other receivables from exchange transactions	7,336	5,910	1,426	3,865	9,222
Inventories	66	58	8	46	46
Current tax refundable	-	-	-	-	-
Other financial assets	20,013	13	20,000 *1	15	9,513
Other current assets	1,610	1,009	601	797	1,214
Development property	-	-	-	17,127	-
<b>Total current assets</b>	<b>49,202</b>	<b>24,640</b>	<b>24,562</b>	<b>31,621</b>	<b>35,980</b>
<b>Non-current assets</b>					
Investment in subsidiaries	6,250	5,412	838	8,385	6,250
Other financial assets	1,867	2,972	(1,105)	-	1,707
Property, plant and equipment	1,241,219	1,134,614	106,605 *2	1,314,519	1,231,645
Intangible assets	2,156	1,272	884	-	1,607
Investment property	53,162	110,205	(57,043) *3	58,345	53,162
Development property	12,503	-	12,503 *4	-	12,503
<b>Total non-current assets</b>	<b>1,317,157</b>	<b>1,254,475</b>	<b>62,682</b>	<b>1,381,249</b>	<b>1,306,874</b>
<b>Total assets</b>	<b>1,366,359</b>	<b>1,279,115</b>	<b>87,244</b>	<b>1,412,870</b>	<b>1,342,854</b>
<b>Current liabilities</b>					
Trade and other payables from exchange transactions	21,642	19,169	2,473 *5	23,924	27,071
Borrowings	20,203	10,223	9,980 *6	47,000	30,203
Other financial liabilities	96	-	96	-	96
Other current liabilities	15,305	12,813	2,492 *7	8,548	10,686
Employee entitlements	1,559	1,495	64	-	1,490
<b>Total current liabilities</b>	<b>58,805</b>	<b>43,700</b>	<b>15,105</b>	<b>79,472</b>	<b>69,546</b>
<b>Non-current liabilities</b>					
Borrowings	75,263	75,466	(203) *6	111,118	55,263
Other financial liabilities	2,106	1,298	808	-	2,106
Other non-current liabilities	11,103	-	11,103 *8	-	11,159
<b>Total non-current liabilities</b>	<b>88,472</b>	<b>76,764</b>	<b>11,708</b>	<b>111,118</b>	<b>68,528</b>
<b>Total liabilities</b>	<b>147,277</b>	<b>120,464</b>	<b>26,813</b>	<b>190,590</b>	<b>138,074</b>
<b>Net assets</b>	<b>1,219,082</b>	<b>1,158,651</b>	<b>60,431</b>	<b>1,222,280</b>	<b>1,204,780</b>
<b>Equity</b>					
Reserves	566,925	555,374	11,551	573,444	566,925
Accumulated funds	652,157	603,277	48,880	648,836	637,855
<b>Total equity attributable to Council</b>	<b>1,219,082</b>	<b>1,158,651</b>	<b>60,431</b>	<b>1,222,280</b>	<b>1,204,780</b>

## Commentary

\*1 Includes \$20m term deposit to maximise return on temporary surplus funds.

\*2 Movement includes reclassification of campground assets from Investment Property to Property, Plant and Equipment following the completion of the 2017/18 year end process (June 2018), the revaluation of Wanaka airport land following commencement of the 100 year lease to Queenstown Airport Corporation, and additional capital expenditure in the 12 months since Dec17.

\*3 Refer comment 2 above and comment 4 below. Also includes revaluation of remaining investment property as at 30 June 2018.

\*4 Certain portions of Lakeview site reclassified from Investment Property to Development Property as at 30 June 2018 as deemed available for sale.

\*5 Increase in infrastructure accruals due to timing of capital projects versus Dec17.

\*6 Increase due to planned capital expenditure since Dec17 with a reclassification from current to non-current since Jun18.

\*7 Includes \$2.1m increase in provision for legal claims as at 30 June 2018.

\*8 Non-current portion of 100 year lease of Wanaka Airport land to Queenstown Airport Corporation.

Borrowing Limits (%)	Actual Dec-18	Annual Plan Jun-19	Borrowing Limit	Actual Jun-18	Actual Jun-17
Interest Expense/Rates < 30% (2017/18: < 25%)	7.7%	12.8%	25.0%	5.9%	6.1%
Interest Expense/Total Revenue < 20% (2017/18: < 15%)	4.0%	7.1%	15.0%	3.1%	3.2%
Net Debt/Total Revenue < 250% (2017/18: < 200%)	66.8%	154.6%	200.0%	67.4%	77.8%

- 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 December 2018	Council		
	Dec-18 \$'000	Dec-17 \$'000	Variance \$'000
<b>From non-exchange transactions</b>			
Trade receivables	1,605	1,146	459
Infringement receivables	1,973	1,692	281 *1
Rates receivables	5,261	4,628	633 *2
New Zealand Transport Agency	673	852	(179)
Other	127	113	14
Allowance for doubtful debts	(1,691)	(1,453)	(238) *1
	<b>7,948</b>	<b>6,978</b>	<b>970</b>
<b>From exchange transactions</b>			
Trade receivables	4,649	3,596	1,053 *3
Other	3,014	2,585	429
Allowance for doubtful debts	(327)	(270)	(57)
	<b>7,336</b>	<b>5,911</b>	<b>1,425</b>
	<b>15,284</b>	<b>12,889</b>	<b>2,395</b>
<b>Age analysis</b>			
<b>Trade and other receivables (excluding rates)</b>			
	<b>Dec-18</b>	<b>Dec-17</b>	<b>Variance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current (0-30 days)	7,464	6,754	710
31-60 days *	950	453	497
61-90 days *	288	457	(169)
90 days + *	3,339	2,320	1,019 *1, *3
	<b>12,041</b>	<b>9,984</b>	<b>2,057</b>
<b>Rates receivables</b>			
Current year rates (overdue) *	2,188	2,404	(216) *2
Previous years rates *	3,073	2,224	849 *2
	<b>5,261</b>	<b>4,628</b>	<b>633</b>
Allowance for doubtful debts	(2,018)	(1,723)	(295)
	<b>15,284</b>	<b>12,889</b>	<b>2,395</b>

\* Amounts are considered past due.

### Commentary

- \*1 Infringement receivables continues to increase with \$1.7m in over 90 days relating to infringements. The allowance for doubtful debts includes \$1.6m for infringements.
- \*2 Increase in rates receivable includes increase in 2018/19 rates and rateable properties, as well as increase in previous years' rates. 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.
- \*3 The increase in trade receivables from exchange transactions relates mostly to the increase in volume and value of consents since Dec17. The balance in over 90 days includes 28 accounts over \$10k totalling \$0.5m and 1,760 accounts under \$10k totalling \$1m. The percentage in over 90 days is 26% excluding infringements and accruals. The accounts receivable team has a target to reduce this to 15% by 30 June 2019.