ANNUAL REPORT

2016/2017

QUEENSTOWN LAKES DISTRICT COUNCIL

SECTION 01: OVERVIEW

CHIEF EXECUTIVE'S REPORT

In the past year, references to Queenstown Lakes District's sustained growth have changed to unprecedented growth. Challenges associated with increased population and visitor numbers are ones the Council has continued to tackle head-on. This has been reflected in the Council's ongoing development of infrastructure and public services, and leadership in identifying affordable housing solutions. We have advocated on behalf of the community with Central Government on a range of community, funding and cost-of-living issues. With growth comes the need for accessible and varied community facilities, and an increasingly diverse economy. The Annual Report details how the Council has addressed these challenges in the last 12 months.

Hearings were completed as part of the stage one District Plan review, which commenced in March 2016 and will complete late 2017. The review set out to provide a more accessible and transparent plan that provides more certainty to property owners and a clear strategic direction for the district. Stage one hearings were defined as those with most immediate benefit to ratepayers and included urban development and landscape, subdivision, historic heritage and protected trees, residential zoning density and biodiversity.

In 2017 we completed the bulk of phase one construction of Hawthorne Drive, formerly known as the Eastern Access Road. A temporary seal was laid to facilitate use of the road during the busy winter season. The final step of construction is to undertake the final surfacing in October 2017. Providing an alternative route for drivers travelling between Frankton and the Shotover River, the new road enabled them to avoid the existing junction of SH6 and SH6A at the BP roundabout. Co-funded with the NZ Transport Agency, this key element of traffic improvements in Frankton delivered a dramatic reduction in travel times between the Queenstown Airport and the BP roundabout, particularly during peak afternoon traffic. This coincided with the removal of parking on SH6, and the opening of a dedicated airport Park and Ride facility developed in partnership with Queenstown Airport Corporation and QLDC.

Housing availability and affordability continued to be a concern for our community throughout the district. Whilst the provision of housing is not a core Council service, QLDC chose to step into this challenge to support our community. In April 2017 the Mayoral Housing Taskforce met for the first time with a brief to investigate new models of housing availability and affordability and make home ownership in the district more achievable for families, retirees, and itinerant and low-income workers. Five Special Housing Areas were granted during the year, and applications made for three Queenstown sites to access a $50 million Central Government loan under the Housing Infrastructure Fund.

It was a record year for construction and property-related development across the district. 1,789 residential and commercial building consents were issued between July 2016 and June 2017, with 1,130 Code of Compliance Certificates issued in the same period. In response to these numbers and overall growth in the district Council approved additional staffing capacity to allow QLDC staff to meet this challenge.

QLDC is responsible for ensuring there are choices about how we deal with waste and that these options reflect Central Government drivers and community commitment to waste minimisation. In the past year we commenced a review of the Waste Management and Minimisation Plan 2011-2017, which we are required to undertake every 6 years. Trials also begun to explore treating waste through vermicomposting and solar drying facilities.

The Wanaka Recreation Centre opened in July 2016 and recently celebrated its first year in operation. In the first 12 months more than 24,000 visits were recorded and the centre has played host to community sports events, a conference for the Rotary Club of Wanaka, and a fashion show. Alongside this high quality indoor sports facility work begun on the new Wanaka swimming pool which is now due for completion in May 2018. Development also started on two new sports fields and these will be ready for the summer and the busy soccer season.

Other community facility improvements included the introduction of self-checkout units in the libraries at Wanaka, Queenstown and Arrowtown.

Earlier in the year we appointed the first QLDC Economic Development Manager to oversee the implementation of the 2015 Economic Development Strategy. Despite a record 1.89 million passengers travelling through Queenstown Airport last year, we recognise the need to diversify from traditional tourism and other industries such as retail and construction. QLDC is committed to supporting practical and achievable industry diversification within the district's long-term economy.

I would like to acknowledge the contribution of the elected representatives on both the Council and the Wanaka Community Board, and that the high-quality facilities and effective services delivered to the Queenstown Lakes community are the result of a dedicated and hard-working Council staff at every level.

Mike Theelen
Chief Executive
Queenstown Lakes District Council

QLDC FINANCIAL RESULTS AT A GLANCE 2016/17

QLDC recorded a surplus of $68.0m for the year. This is up from the $39.4m surplus recorded last year and also up against a budget of $21.5m. The main reasons for the higher surplus, which is not profit, are related to higher revenue ($16.1m) to budget and $34.6m of unrealised net gains on revaluation of QLDC assets. The $34.6m movement in value for the year relates to the Council's investment property; this is a gain on paper due to higher market prices and the change in zoning for the Lakeview land in Queenstown.

Both revenue and operating expenditure were above budget for the year ended 30 June 2017. Revenue was above estimate by 12.9% or $16.1m and expenditure was over by 5.5% or $5.72m. This reflects extremely high levels of activity across all activities.

The following major items contributed to this variance:

- Increased user charges of $6.5m which consists of increased revenue from rentals, consents, regulatory activities and solid waste. The increased revenue offsets increased costs in consents, regulatory activities and solid waste.
- Increased development contributions of $6.4m which is related to the increase in development activity within the district. This income can only be used to fund growth related capital expenditure.
- Dividend income from QAC was $847k above budget for the year.
- The surplus includes the following:
    - $34.6m of unrealised gains relating to the annual revaluation of Council owned investment property. This follows a 2016 value gain of $9.3m.
    - $0.9m of unrealised gains as a result of the revaluation of interest rate swaps as at 30 June 2017.

Operating expenditure was $5.72m (5.5%) over budget for the year ended 30 June 2017. Over 50% of this negative variance is due to the costs to defend and resolve a number of building related legal claims against the Council. Much of the remaining negative variance relates to the costs of managing increased activity volumes for the year.

The major remaining operational cost variances are as follows:

- Costs of contract staff for the year were $2.09m higher than budget. Contractors have been used in consenting activities where it has not been possible to recruit employees. The volumes of work have dictated this approach and all of this additional cost is recovered in revenue.

- Interest expense for the year is $5.4m less than budget. This is a result of the timing of some capital works and lower than expected interest rates.
- Costs for professional services were $1.5m above budget for the year, mainly as a result of an increase in on-chargeable consultant costs related to consents.
- Costs for road maintenance were $0.7m above budget for the year, mainly as a result of snow clearing work required in the winter of 2016.
- Increased costs of $1.7m for handling larger than expected volumes of solid waste for the year.
- Expenditure of $926k reflecting the on-payment of affordable housing grants to the housing trust, offset by the same amount in income.

STATEMENT OF FINANCIAL POSITION

The main variances relate to the difference in expected asset values for the year and reduced borrowings. The following items contributed to this variance:

- Capital expenditure was below estimate by $10.8m for the year ended 30 June 2017. This relates mostly to timing differences for the following large projects:
    - Wanaka Aquatic Centre

      (2016/17 budget of $5.3m versus actual spend of $3.4m - Project completion programmed for 2017/18);
    - Mt Aspiring Rd Booster to address fire fighting capability

      (2016/17 budget of $0.6m versus actual spend of $0.03m - Project on hold, subject to further business case development
    - Resilience - Crown Range Road Land Construction

      (2016/17 budget of $0.5m versus actual spend of $0.02m - Project completion programmed for 2017/18);
    - Andrews Road safety improvements

      (2016/17 budget of $0.5m versus actual spend of $0.04m - Project completion programmed for 2017/18);
- Reduced capital expenditure in the last 3 years, as well as the sale of the Scurr Heights land last year, results in borrowings that are $69.1m below forecast. Total debt as at 30 June 2017 is $92.7m compared to a forecast of $161.8m.

STATEMENT OF CHANGES IN EQUITY

Accumulated differences between actual and budgeted net surpluses as described above for 2017, as well as the impact of the investment property revaluation and reduced borrowings, has resulted in an equity variance of $84.2m above forecast.

STATEMENT OF CASH FLOWS

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows, particularly cash flows from investing and financing activities. Cash payments for the purchase of property, plant and equipment (i.e. capital expenditure) was $36.5 million below estimate and net borrowings were consequently around $31.3 million less than expected.

FINANCIAL STRATEGY

The Financial Strategy must show prudent financial management by the Council and act as a guide when making large funding decisions. It also outlines how the Council will tell the story about projects so that the community can understand the implication of big decisions on things like rates, debt and investments. The strategy is contained in full in Volume 2 (pp 11-17) of the 2015 Ten Year Plan www.qldc.govt.nz.

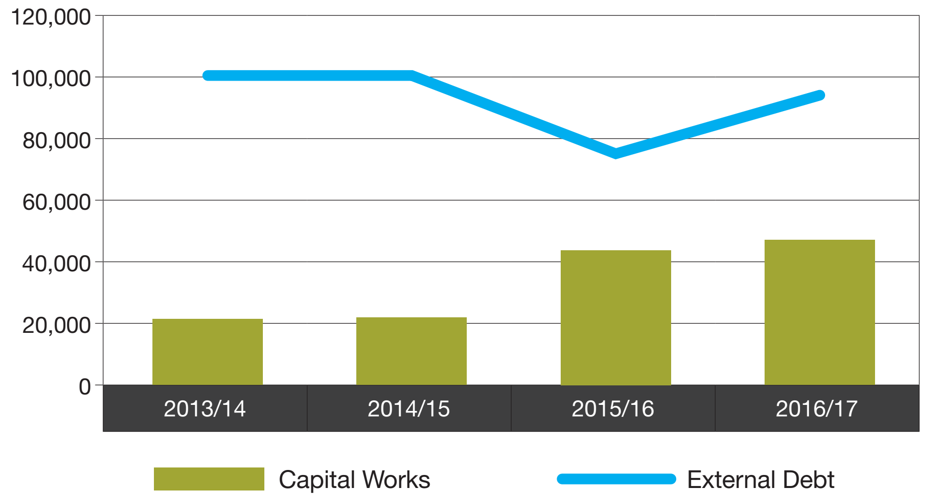
The Council's Financial Strategy is aimed at responding to the needs of our district today and into the future in a responsible and affordable way. It is important that the costs of providing facilities with long lives are shared between today's ratepayers and those in the future. If the task is successfully delivered, the following outcomes should be achieved:

- Prioritised Capital Programme – delivering the 'right' projects at the optimum time.
- Rates increases set at a maximum of 6% per annum (subject to changes in growth forecasts).
- Debt levels maintained at prudent levels (within Borrowing Limits).
- Debt levels at the end of the ten year period have stabilised and sufficient head-room exists to provide financial flexibility for future Councils.
- To continue to provide excellent service within financial constraints.

REPORTING BACK ON FINANCIAL STRATEGY

Capital Programme

External Debt vs Capital Works (000's)



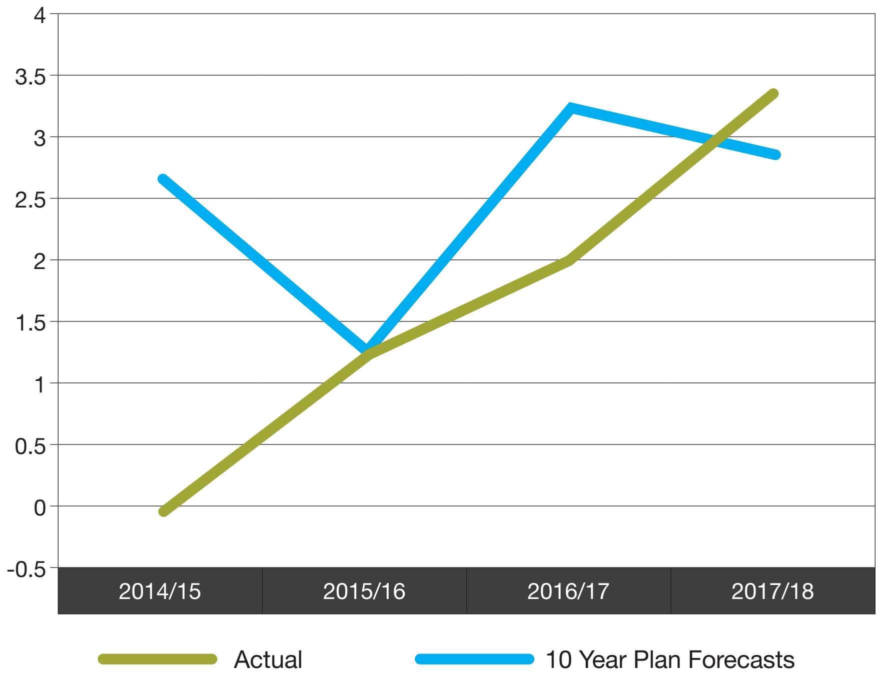
The graph above shows that the actual spend on capital projects has increased significantly for the last two years compared to the two years prior. This is the result of good progress on major projects including Project Shotover, Eastern Access Road and the Wanaka Recreation Centre.

RATES

The graph below shows the actual rates increases over the past four years compared to the increases forecasted in the Ten Year Plan. The total rates for 2016/17 are in line with forecast amount. The rates for 2017/18 have been set at $67.1m compared to the forecasted amount of $65.7m in the 2015 Ten Year Plan. The increase is 3.34% (after allowing for growth) compared to the forecast 2.81%.

The larger increase for 2017/18 reflects the impact of increased levels of service including the major new facilities of Project Shotover in Queenstown and the Wanaka Recreation Centre.

Rates Increase % – Actual and Forecast (after allowing for growth)



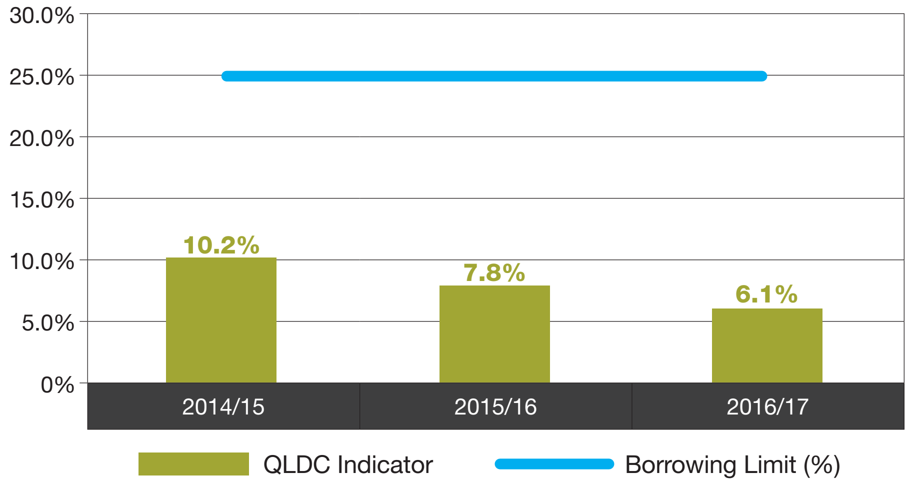
DEBT LEVELS

In order to deliver the large capital programme included in the Ten Year Plan, Council will need to rely on borrowing. Council has spent a considerable amount of time and effort working through the capital programme to ensure it is affordable and deliverable. The actual external debt at 30 June 2017 was $92m; this is $17m more than June 2016 and $71.4m less than the amount forecast in the 2015 Ten Year Plan. This is largely due to the deferral of the Convention Centre project and the unbudgeted sale of Scurr Heights land in Wanaka in May 2016.

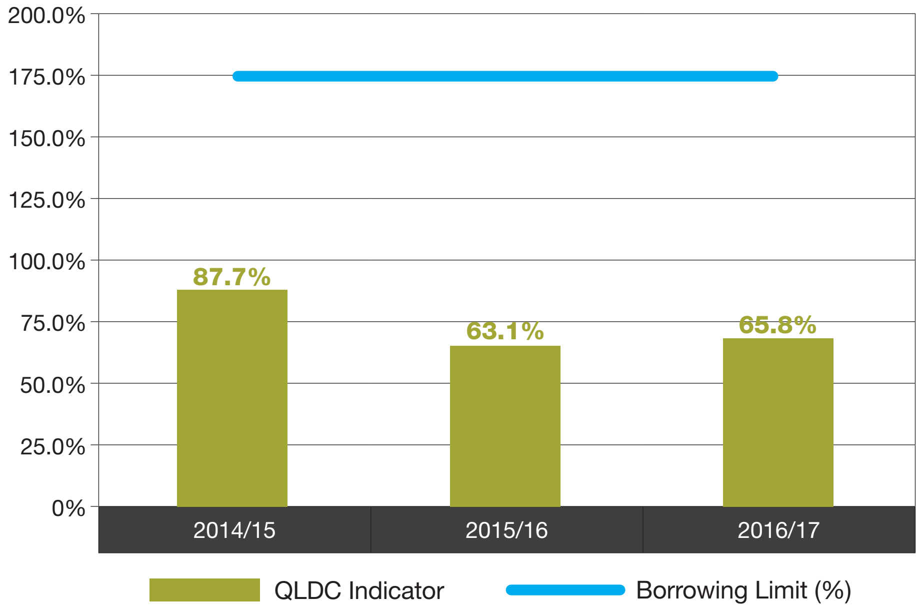
The actual and proposed levels of debt are now within all of the Council's self-imposed borrowing limits:

Borrowing Limits (%)	Actual 2014/15	Actual 2015/16	Actual 2016/17	Forecast 2016/17
Interest Expense/Rates < 25%	10.2%	7.8%	6.1%	14.4%
Interest Expense/Total Revenue < 15%	5.0%	3.8%	2.7%	7.1%
Net Debt/Total Revenue < 175%	87.7%	63.1%	65.8%	128.8%
Net Debt/Total Equity < 20%	10.4%	7.4%	8.1%	15.4%

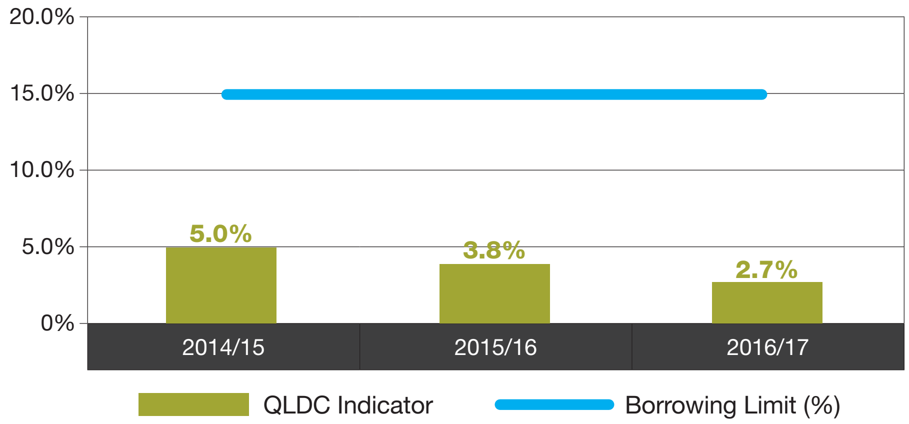
Interest Expense / Rates Revenue



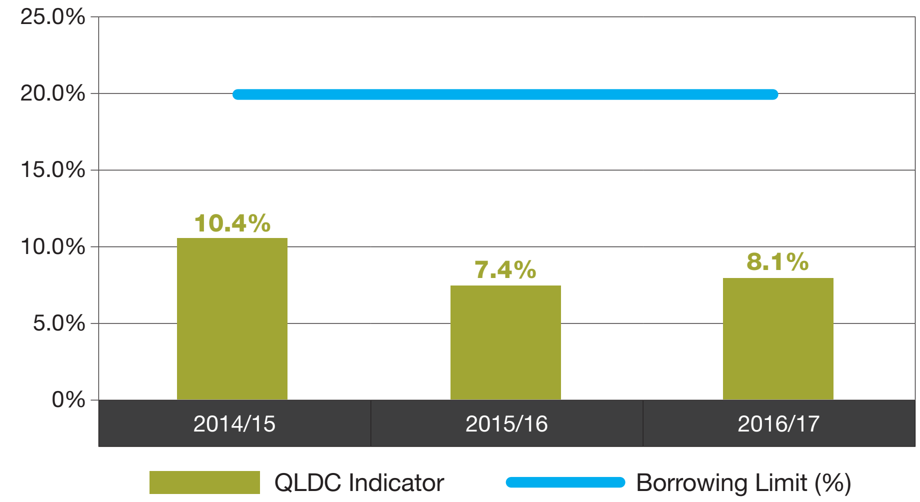
Net Debt / Total Revenue



Interest Expense / Total Revenue

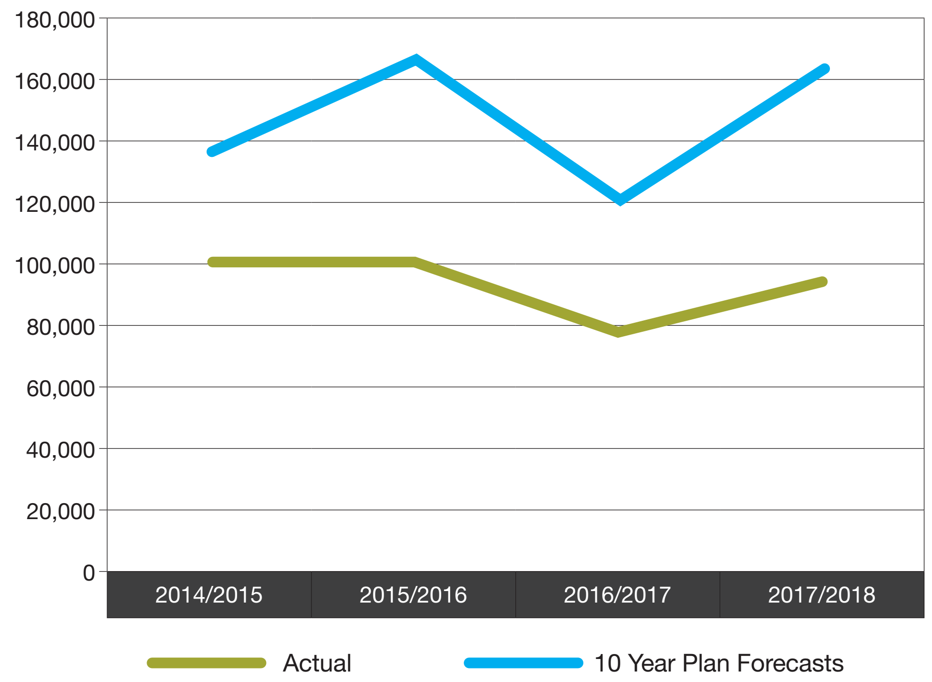


Net Debt / Equity



The following graph shows the forecasted debt levels compared to actual debt levels up to 2016/17. As can be seen, actual debt levels are significantly reduced. The actual external debt at 30 June 2017 was $92m and is $71.4m less than the amount forecast in the 2015 Ten Year Plan.

External Debt ($000's)



Borrowing will have to increase in order to deliver the future capital programme but the Council will ensure that the projects continue to be rigorously prioritised.

CAPITAL WORKS 2016/17

Notable infrastructure projects that have been substantially advanced or completed during the 2016/17 financial year:

Project	Cost at Year End 2017 ($)
Project Shotover – Stage 1 (14/15 – 16/17 costs)	22,375,386
Eastern Access Road - Hawthorne Drive (14/15 – 16/17 costs)	19,200,333
Wanaka Recreation Centre (14/15 – 16/17 costs)	14,102,583
Wanaka Aquatic Centre (15/16 – 16/17 costs)	9,543,539
Frankton Flats Stormwater – Construction (15/16 – 16/17 costs)	8,904,391
Frankton Flats Road (15/16 – 16/17 costs)	5,405,331
Wakatipu - Sealed rd resurfacing	2,784,249
Wanaka - Sealed rd resurfacing	2,187,974
Frankton Flats Water Supply – Construct (15/16 – 16/17 costs)	2,225,614

Carry-forward projects (>$200k) scheduled for completion in 2017/18 approved by the Council in August 2017 are:

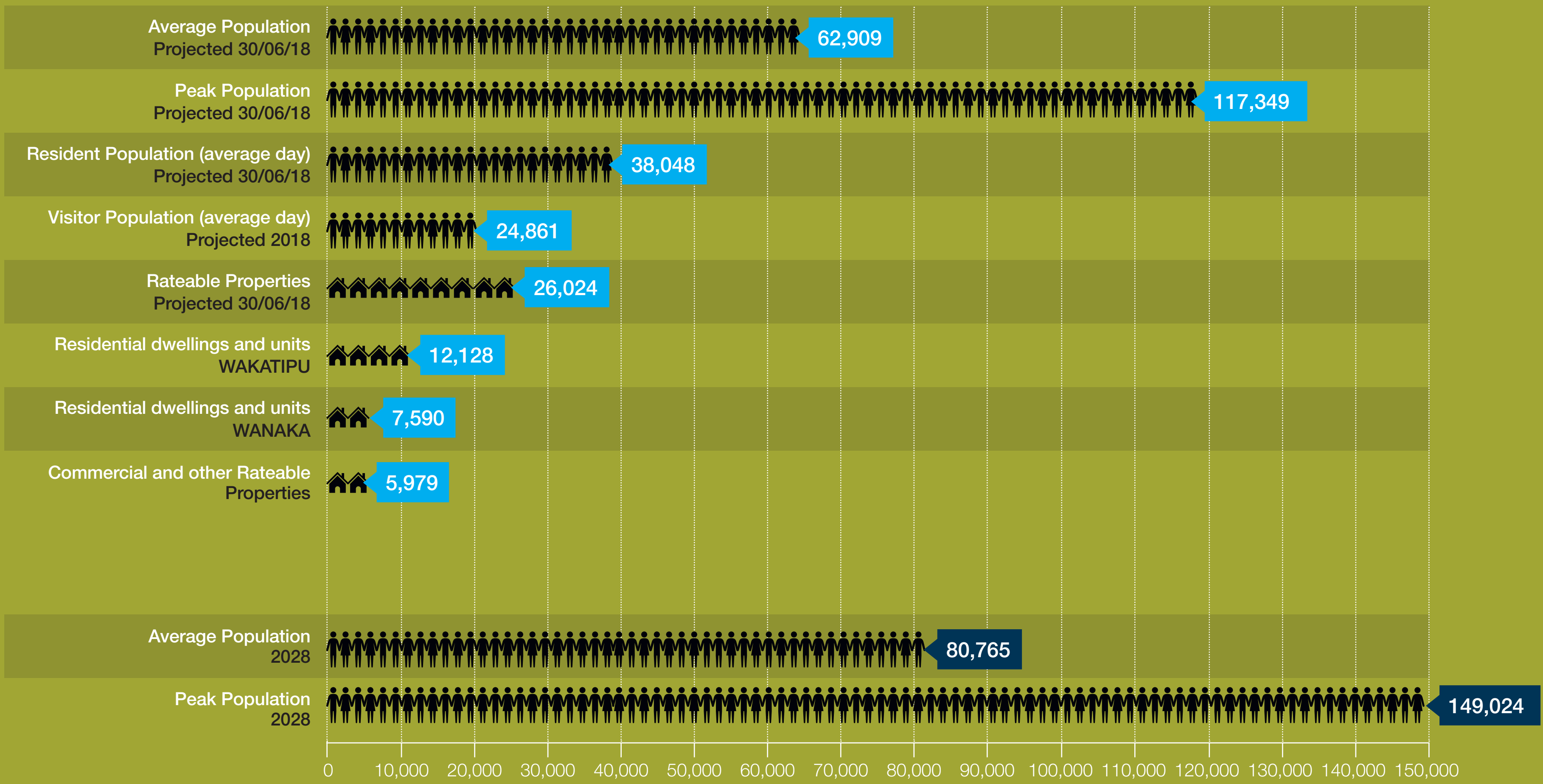
Project	Cost at Year End 2017 ($)
Wanaka Aquatic Centre	1,962,309
Eastern Access Road – Hawthorne Drive	1,012,670
Queenstown Town Centre strategy	715,077
Crown Range Road resilience work	484,246
Andrews Road safety improvements	433,227
Cardrona new water supply scheme	321,684
Bayview rising main works	300,000
Bennets Bluff minor improvements	272,812
Project Shotover	259,077
Wastewater renewals works in Queenstown	220,000
Beacon Point reservoir	220,000
Lower Shotover Trail realignment and Queenstown trail barriers	217,853
Lakeview development	208,540

FACT FILE

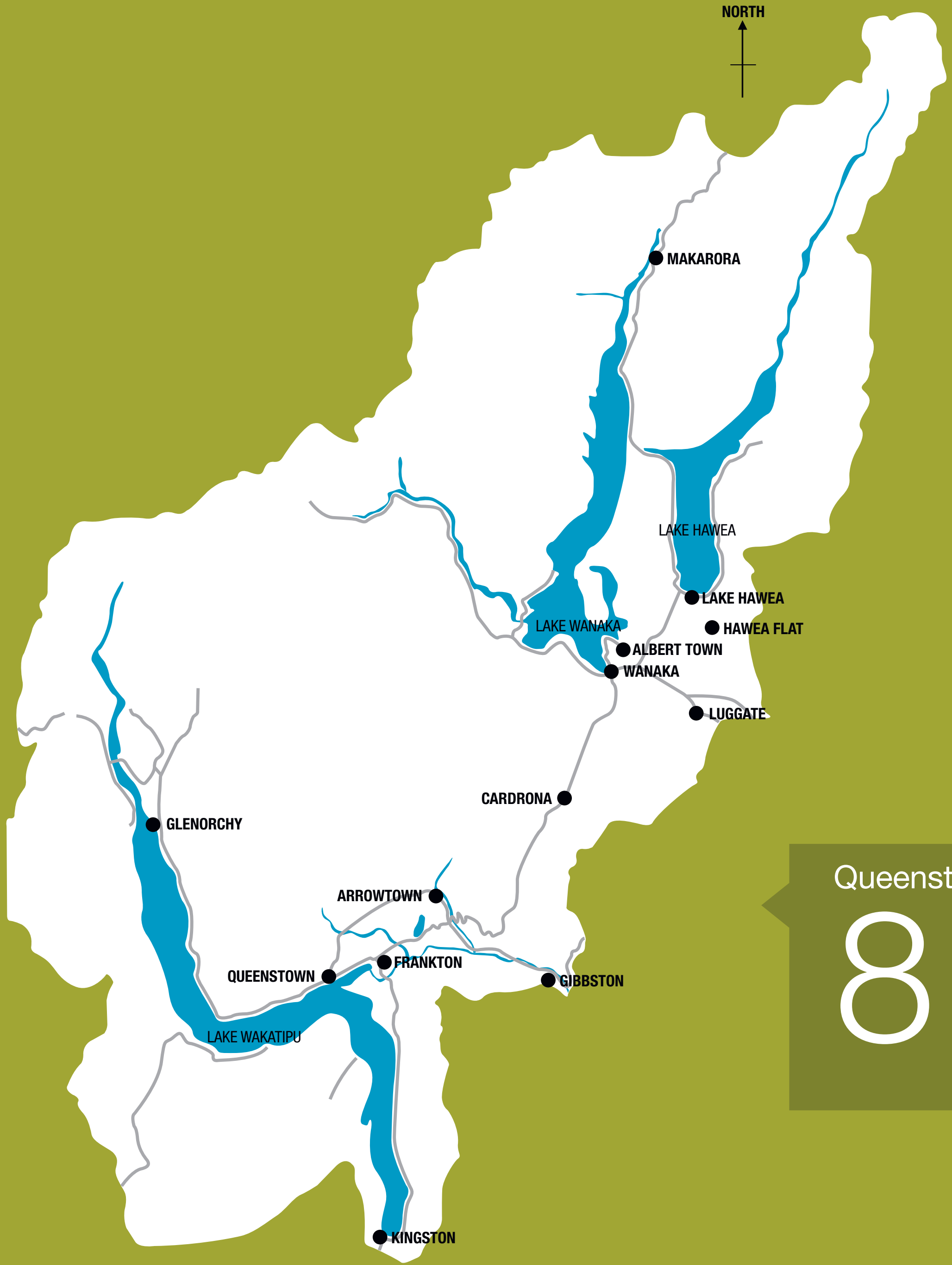
Source: Queenstown Lakes District Growth Projections for 2017

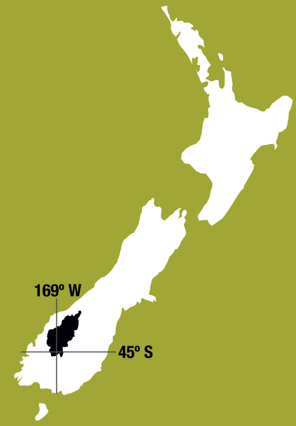
2016/17 FACT FILE

2028 PROJECTED GROWTH



DISTRICT MAP





Queenstown Lakes District area

8,467

square kilometres

DELEGATED RESPONSIBILITIES AS AT 30 JUNE 2017

COUNCILLORS

JIM BOULT
MAYOR

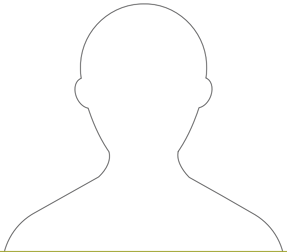
COUNCIL COMMITTEES

- Audit, Finance and Risk Committee
- Planning & Strategy Committee
- Infrastructure Committee
- Community & Services Committee
- Governance Subcommittee
- Elected Member Conduct Committee
- Appeals Subcommittee
- District Licensing Committee
- Chief Executive Performance Review Committee
- Dog Control Committee

COUNCILLORS

Wanaka Ward

CALUM MACLEOD
DEPUTY MAYOR



VACANT

ROSS MCROBIE

Wakatipu Ward

ALEXA FORBES

PENNY CLARK

CRAIG (FERG) FERGUSON

TONY HILL

JOHN MACDONALD

VALERIE MILLER

Arrowtown Ward

SCOTT STEVENS

WANAKA COMMUNITY BOARD

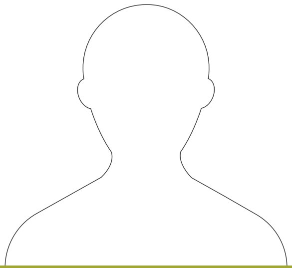
RACHEL BROWN
CHAIR

QUENTIN SMITH
DEPUTY CHAIR

ED TAYLOR

RUTH HARRISON

CALUM MACLEOD



VACANT

ROSS MCROBIE

MANAGEMENT GROUP

MIKE THEELEN
CHIEF EXECUTIVE

MEAGHAN MILLER
GM, CORPORATE SERVICES

STEWART BURNS
CHIEF FINANCIAL OFFICER

PETER HANSBY
GM, INFRASTRUCTURE

TONY AVERY
GM, PLANNING & DEVELOPMENT

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COUNCIL OFFICES

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WANAKA OFFICE
47 Ardmore Street
Wanaka

QUEENSTOWN AIRPORT CORPORATION LIMITED*

Terminal Building, Queenstown Airport
PO Box 64, Queenstown
Phone: 03 442 3505

** A Council-controlled trading organisation*

AUDITORS

Deloitte Limited on behalf of the office of the Auditor General

Dunedin

SISTER CITIES

> Aspen, Colorado, USA (Queenstown)

> Hikimi, Shimane, Japan (Wanaka)

> Hangzhou, China

GOVERNANCE REPORT

ROLE OF THE COUNCIL

The Council has overall responsibility and accountability for the proper direction and control of the district's activities. This responsibility includes areas of stewardship such as:

- Formulating the district's strategic direction.
- Managing principal risks facing Queenstown Lakes District.
- Administering various regulations and upholding the law.
- Ensuring the integrity of management control systems.
- Safeguarding the public interest.
- Ensuring effective succession of elected members.
- Reporting to ratepayers.

COUNCIL OPERATIONS

The Council (elected members) appoints a Chief Executive to manage its operations under the provisions of s42 of the Local Government Act 2002. The Chief Executive has in turn appointed divisional managers to manage the Council's significant activities.

COUNCIL COMMITTEES

In addition to the full Council which meets six weekly, the Council has four standing committees, and various other committees formed for specific tasks to monitor and assist in the effective delivery of the Council's specific responsibilities. A revised committee structure increasing standing committees to four and changing full Council to meet six weekly was introduced in December 2016 and will be reviewed after 12 months. The Council committees include:

- Audit, Finance and Risk Committee
- Planning and Strategy Committee
- Infrastructure Committee
- Community and Services Committee
- Appeals Subcommittee

- District Licensing Committee
- Chief Executive Performance Review Committee

The following committees are convened as required:

- Dog Control Committee
- QLDC/CODC Coronet Forest Joint Committee

Each committee is responsible for providing additional assurance on the integrity of information being presented and the operation of the activity.

The Wanaka Community Board is QLDC's only Community Board.

DIVISION OF RESPONSIBILITY BETWEEN COUNCIL AND MANAGEMENT

Key to the efficient running of the Queenstown Lakes District Council is the clear division between the role of elected members and that of management. The Council concentrates on setting policy and strategy, while management is concerned with implementing policy and strategy and monitoring these approaches. While many of the Council's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Council. Internal control includes the policies, systems and procedures established to provide measurable assurance that specific objectives of the Council will be achieved. Both Council and management have indicated their responsibility with their signing of the Statement of Compliance and Responsibility on page 22 of this report.

AUDIT

The Council uses external auditors to evaluate the quality and reliability of financial information reported in the Annual Report.

RISK MANAGEMENT

Council established an Audit and Risk Committee in November 2013 and adopted a Risk Management Framework in 2015.

LEGISLATIVE COMPLIANCE

As a regulatory body the Council administers various regulations and laws. Legislative compliance is a major concern of the Queenstown Lakes District Council. QLDC makes use of staff members with legal backgrounds and external consultants to ensure that it complies with applicable legislation. The Council now employs two staff solicitors.

RELATIONSHIP WITH MAORI

An important component of the Council's consultation is the on-going development of relationships with Māori.

As a Council, our district is part of Ngāi Tahu Iwi, but straddle both Murihiku and Ōtākou Rūnanga. While our relationships with Murihiku had been traditionally strong, this has not been the case with Ōtākou. At the beginning of 2017, the Mayor, Chief Executive and executive undertook a hīkoi to Dunedin. It was very symbolic in expressing Council's desire and intention to strengthen that relationship with the rūnanga of Ōtākou.

In August Mayor Boult signed a Memorandum of Understanding with Ōtākou to join Te Rōpū Taiao Otago. This was a real milestone and an important step forward. These relationships will form an important part of our consultation processes into the future.

In addition to this, Council is also looking to expand the organisation's cultural literacy, understanding and awareness. Māori language week was celebrated at Council which was supported by a number of staff who have committed to learning Te Reo in 2017.

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

COMPLIANCE

The Council and management of Queenstown Lakes District Council confirm that all the statutory requirements of Schedule 10 Part 3 the Local Government Act 2002 have been complied with.

RESPONSIBILITY

The Council and management of Queenstown Lakes District Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them. The Council and management of Queenstown Lakes District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the opinion of the Council and management of Queenstown Lakes District Council, the annual Financial Statements for the year ended 30 June 2017 fairly present the financial position and operations of Queenstown Lakes District Council.

Jim Boult
Mayor
26 October 2017

Mike Theelen
Chief Executive
26 October 2017

SECTION 02: STATEMENT OF SERVICE AND PERFORMANCE

COMMUNITY OUTCOMES AND OBJECTIVES

OUR PLAN

Our long term aspirations for the district

COMMUNITY OUTCOMES

- Sustainable growth management
- Quality landscapes and natural environment with enhanced public access
- A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes
- Effective and efficient infrastructure that meets the needs of growth
- High quality urban environments, respectful of the character of individual communities
- A strong and diverse economy
- Preservation and celebration of the district's local cultural heritage

What we want to achieve in the next ten years — **OUR LONG TERM COUNCIL OUTCOMES**

What we want to achieve in the next three years — **OUR SHORT TERM COUNCIL PRIORITIES**

How we will deliver our priorities — **OUR ACTIVITIES**

What you can expect from the Council — **DEFINED LEVELS OF SERVICE FOR OUR ACTIVITIES**

Our long term council outcomes		Our short term council priorities	Our activities
CORE INFRASTRUCTURE AND SERVICES	High performing infrastructure and services that: > meet current and future user needs and are fit for purpose; > are cost-effectively & efficiently managed on a full life-cycle basis; > are affordable for the District.	Improving long-term asset management planning and project delivery.	> Water supply > Sewerage > Stormwater > Transport > Waste management
COMMUNITY SERVICES AND FACILITIES	The District's parks, libraries, recreational and other community facilities and services are highly valued by the community.	Increasing levels of community use and participation.	> Sports and recreation facilities (pools and gym) > Community venues and facilities > Libraries > Parks and trails
REGULATORY FUNCTIONS AND SERVICES	Regulatory requirements and services delivered by the Council: > encourage compliance; > are user friendly; > protect the interests of the District; > are cost effective; and achieve the regulatory objectives.	Improving the cost-effectiveness and efficiency of core services and processes.	> Planning and building services > Regulatory services
ENVIRONMENT	The District's natural and built environment is high quality and makes the District a place of choice to live, work and visit.	Improving the quality and safety of CBDs. Delivering a new District Plan that enables economic growth and enhances the use, development and protection of the District's natural and physical resources.	> District Plan
ECONOMY	The District has a resilient and diverse economy.	Implementing an economic development framework that facilitates a stronger and more diverse economy, and avoids unnecessary compliance costs.	> Economic development > Events > Emergency management
LOCAL DEMOCRACY	The community is well informed and engaged in the activities of Council.	Modernising the way the community engages with the Council and accesses Council services.	> Governance
FINANCIAL SUPPORT AND SERVICES	Council expenditure is cost-effective and sustainable. The Council is trusted and respected for its customer service and stewardship of the District.	Enhancing the quality of our financial reporting and management. Developing the internal skills, resources and service ethic to deliver the core services more effectively.	> Financial services > Customer services

KEY PERFORMANCE INDICATORS

HOW WE WILL REPORT OUR SUCCESS

The Key Performance Indicators contained in the report were consulted on in the 10 Year Plan 2015-25 and now include an additional set of Department of Internal Affairs (DIA) measures

RISK MITIGATION

HOW WE WILL MANAGE THE EVENTS THAT COULD STOP US DELIVERING

HEALTH, SAFETY AND WELLBEING

ENSURING THAT ALL QLDC ACTIVITIES FOCUS UPON THE HEALTH, SAFETY AND WELLBEING OF THE COMMUNITY AT ALL TIMES

OTAGO PERFORMANCE IMPROVEMENT FRAMEWORK

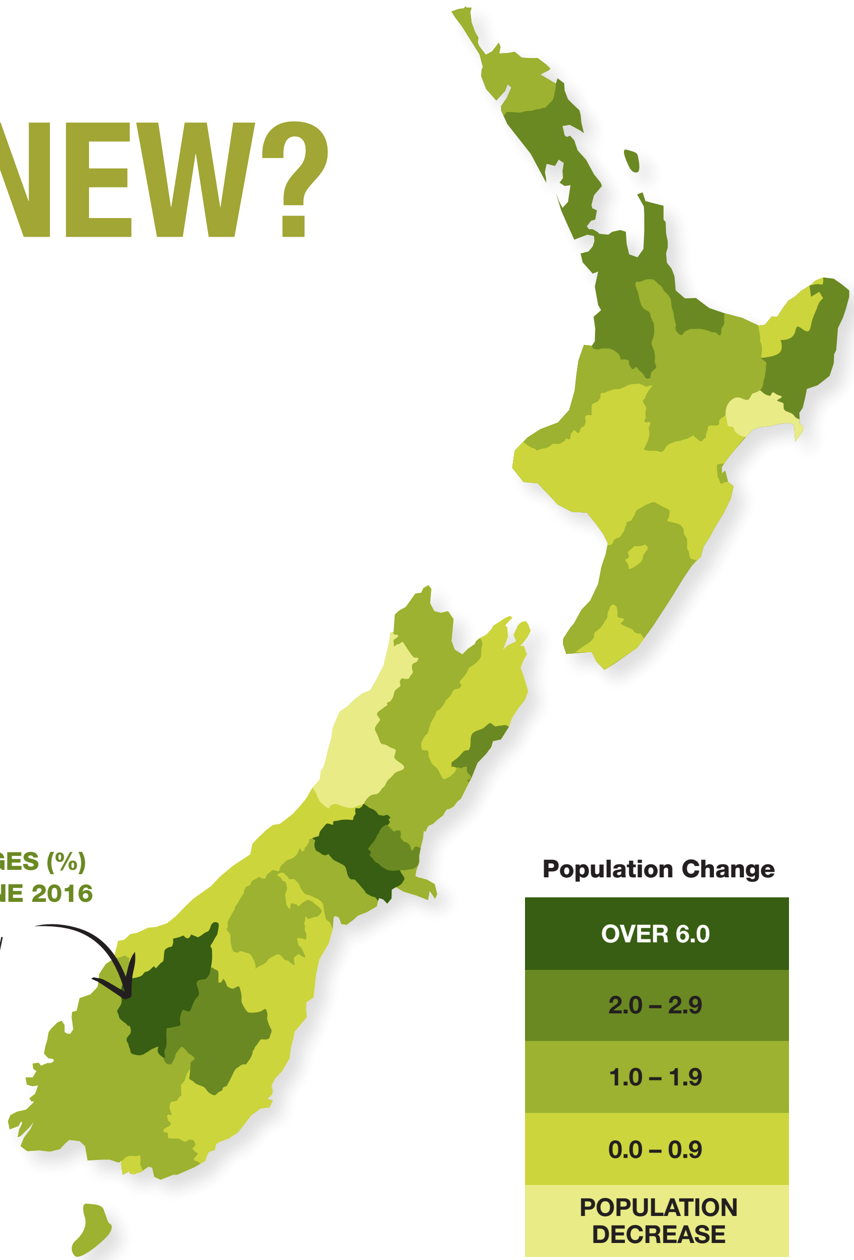
THE OTAGO PERFORMANCE IMPROVEMENT FRAMEWORK, AS APPENDED TO THIS REPORT, BENCHMARKS QLDC'S PERFORMANCE AGAINST OTHER LOCAL TERRITORIAL AUTHORITIES

WHAT'S NEW?

We are officially the fastest growing district in New Zealand with a whopping 7.1% rise in population last year alone. In 2015 our district's population was 32,400 – by next year it is projected to be 38,048. This is more than predicted and faster than we had provided for in our last Ten Year Plan. It's time to catch up.

POPULATION CHANGES (%)
YEAR ENDED 30 JUNE 2016

Source: Statistics New Zealand



TACKLING GROWTH

2016/17 was a year of unprecedented growth in the District and we experienced a 7.1% increase in population. This was more than was predicted and arrived faster than was provided for in our 2016/17 Annual Plan. We have been working hard to meet these metro-sized issues, but the pressure on our community and our organisation is evident in some of our results this year. Looking forward, we are developing our own teams to deliver great service, whilst building strong relationships with central government and regional partners to rise to these challenges effectively. As our current Annual Plan demonstrates, it's definitely time to catch up.

SATISFACTION SURVEY

This year our satisfaction survey used the same demographic balance as last year, which provides a representative lens on satisfaction within our community and enables us to compare results meaningfully.

Whilst the results generally reflect a positive shift across most areas, satisfaction with some services has reduced. These areas of reduced satisfaction are typically in the areas that are most impacted by growth, particularly in regulatory services. Notably, there are several areas where the level of service is entirely unchanged from last year, but a shift to a more neutral response has translated to a decrease in satisfaction.

The full Resident and Ratepayer Survey Report is available at the QLDC website.

QLDC LOCAL GOVERNMENT ELECTION 2016

In October 2016 we held elections for the Mayor, the Council and Wanaka Community Board. Jim Boult was elected Mayor with a clear majority and total turnout was significantly higher than in 2013. We experienced one of the highest levels of voter participation in the country (54.1%) which underlined the keen interest our residents have in local issues and democracy.

Newly elected Mayor Boult's first official act was to announce the appointment of Cr Calum MacLeod as Deputy Mayor. Cr MacLeod was the highest polling Councillor in the Wanaka Ward election and returned for his second term on the Council.

Mayor Bolt and Deputy Mayor MacLeod were sworn in on the 25th October, along with Councillors Hill, Forbes, Miller, Ferguson, Clark and MacDonald for the Wakatipu Ward. Councillors Lawton and McRobie were sworn in for the Wanaka Ward and Councillor Stevens for Arrowtown. They were joined by the elected members of the Wanaka Community Board; Ed Taylor, Rachel Brown, Quentin Smith and Ruth Harrison.

Councillor Lawton resigned her position in April 2017, in order to stand for election to the Otago Regional Council. The position remained vacant for the rest of the 2016/17 year awaiting the results of an August by-election.

Council meetings were adjusted to a six-weekly schedule and Mayor Boult established four standing committees. These came into effect in January 2017 and are open to the public: Planning and Strategy; Audit, Finance and Risk; Infrastructure and Community & Services.

OTAGO SECTION 17A PROJECT

Section 17A of the Local Government Act 2002 requires all councils to undertake reviews of the cost-effectiveness of current arrangements for delivering services unless a legal or cost-benefit exemption applies. Reviews must consider specific options which would involve one or more other councils, including jointly owned council controlled organisations (CCOs) or shared services arrangements.

The Otago Mayoral Forum resolved in November 2015 to coordinate service reviews across the six Otago councils, including the Otago Regional Council. A high-level review commissioned by the Otago Mayoral Forum considered all activities undertaken by each council, combining these into 28 'regional activity groups' to enable consistent analysis of the potential costs and benefits of alternative arrangements.

One of these groups, Civil Defence and Emergency Management, moved from assessment to implementation of a joint regional model during the year. Another three groups were identified as having regional benefits with a strong potential to exceed the costs of review, being Solid Waste, Waterways and Harbours, and Regulatory Services. A further eleven regional activity groups were identified as having uncertain potential benefits, however it was recommended that Three Waters and Land Transport be subject to further assessment, with reviews of the other nine groups proceeding only when the first reviews are completed, or next required to be reviewed by section 17A. The remaining 13 groups were assessed as having limited potential benefits and were not recommended for review until next required by section 17A.

The Otago Mayoral Forum accepted these recommendations on 11 November 2016, and each Otago council subsequently adopted resolutions to participate only in the three recommended detailed reviews and two further benefits assessments. Otago council chief executives are now individually sponsoring project groups established to conduct the detailed reviews and the status of each review is discussed further below.

Solid Waste

The detailed review of Solid Waste formally commenced on 29 June 2017 between the project group and contracted advisers, Morrison Low. The first two work phases are to be completed with Morrison Low reporting to the project group by 28 August 2017. At that meeting the group will also detail requirements for the third phase of the review, identifying the long list of options and short listing the preferred options.

Regulatory Services

The Regulatory Review team has identified six regulatory areas where further collaboration and process change can be promoted across the region and or between interested councils. These areas are in Animal Control, Parking, Freedom Camping, Alcohol, Environmental Health management, and Bylaws. It is proposed to focus on alcohol and freedom camping as areas of high common interest as the first areas for review, and a programme to review each of these is underway. Key areas for both are creating common information platforms, joint enforcement and monitoring and more effective use of staff across districts. The next step is to convene the relevant regulatory staff and scope the term of reference and timeframe for each review.

Three Waters

A cross-council group of senior managers has started a review of potential options for shared services in 'three waters' service provision in Otago. The first step is an assessment of current state, including contracts in place across the region's councils, which is underway. Following this will be development of options, and an assessment of costs and benefits of those that are viable.

Transportation

A project team of senior managers has been created to carry out a review of transportation. There has already been a lot of background work carried out on potential shared services for transportation in Otago and Southland involving councils in the regions and NZTA. The project team will build on this information in developing options and assessing cost and benefits.

Harbour and Waterways

The harbour and waterways activity has commenced with the appointment of a full time dedicated and trained harbourmaster. While this role has some regulatory functions with commercial maritime activity, the role is also to coordinate safe recreational water use.

CASE STUDIES

1

PROJECT
Project Shotover

COMMUNITY OUTCOMES

2

PROJECT
Frankton Transport Improvements

COMMUNITY OUTCOMES

3

PROJECT
Wanaka Sport and Recreation Centre

COMMUNITY OUTCOMES

4

PROJECT
LUMA

COMMUNITY OUTCOMES

1

COUNCIL OUTCOME
Core Infrastructure and Services

PROJECT
Project Shotover

WHAT HAS BEEN ACHIEVED?

This year the Council commissioned Stage Two of Project Shotover, Queenstown's new wastewater treatment plant. This project originated from the 2004/2014 Ten Year Plan, where the single biggest priority was to achieve internationally accepted standards of wastewater treatment, and align infrastructure with the continued rapid growth across the District. This commitment drove the commissioning of Project Pure for Wanaka in 2011 and commenced Stage One of Project Shotover in 2013.

Stage One saw the construction of concrete tanks at the Shotover bridge site that remove biological nutrient from wastewater. The plant now treats two-thirds of the wastewater from Queenstown, Frankton, Quail Rise, Arthur's Point, Shotover Country, Lake Hayes, Shotover Country and Arrowtown.

THE BENEFITS

Since Stage One of Project Shotover has been commissioned, the Queenstown community is benefiting from a higher quality of treated effluent. Previously, treatment was through oxidation ponds and disposal of wastewater into our rivers, a method no longer suitable for the growing community.

Improved long term asset management planning and project delivery has ensured that the plant is designed to allow future upgrades to support growth.

WHAT NEXT?

Stage Two, to be complete by 2022, will involve the construction of a land dispersal field which will be able to process the whole output from the plant.

Between 2025 and 2031, further treatment facilities will be constructed and the pond-system de-commissioned.

2

COUNCIL OUTCOME
Core Infrastructure and Services

PROJECT
Frankton Transport Improvements

WHAT HAS BEEN ACHIEVED?

Several projects have made significant improvements to congestion across Frankton.

Stage One of the Eastern Access Road, named Hawthorne Drive, was opened with a temporary surface seal in June providing an alternative route for drivers travelling between Frankton and the Shotover River. The final surface seal will be completed in October 2017. On street parking was also removed from Glenda Drive to enable the flow of traffic. The new route is the largest council-led project involving local government and the NZ Transport Agency anywhere in the country.

In conjunction, the Council implemented a project to remove roadside parking from State Highway Six (SH6) by Queenstown Airport. For the month leading to the change 2.4 metre parking attendants were placed along the highway giving the community notice of the future restrictions. Supporting this, a new Airport Park and Ride facility was launched – a project developed in partnership between the Council and Queenstown Airport. The facility now provides paid parking for 150 vehicles and a free shuttle service to and from the airport.

NZ Transport Agency also completed an upgrade to SH6 and SH6A (the BP Roundabout) to help reduce congestion.

THE BENEFITS

Opening Hawthorne Drive in a staged approach meant that the pressure of increased winter traffic was reduced, particularly at the BP Roundabout.

Removal of parking along SH6, and a 48 hour maximum stay restriction in residential Frankton, has improved both the safety and appearance of the area as a key arterial route into Queenstown.

WHAT NEXT?

Construction of Hawthorne Drive will be complete in December 2017 and will coincide with the completion (in part) of the SH6 Kawarau Falls Bridge Replacement project.

The bridge will further reduce traffic congestion, increase safety and provide more secure southern highway access into the Wakatipu Basin. NZ Transport Agency is also considering a strategy to improve the section of the current State Highway network between 5 Mile (Grant Rd) and the new Kawarau Bridge.

3

COUNCIL OUTCOME
Community Services and Facilities

PROJECT
Wanaka Sport and Recreation Centre

WHAT HAS BEEN ACHIEVED?

Planning for improved sport and recreational facilities for the Upper Clutha began in 2008 when early investigations into locations and facility specifications began. In July 2016 the project came to fruition and the first stage of the Wanaka Recreational Centre, located at Three Parks, was opened.

The centre provides a community sports and recreation hub including an indoor stadium and outdoor artificial turf pitch, which can be configured for netball, basketball, volleyball, badminton, tennis, futsal and hockey. The stadium, meeting room and kitchen are also available for events for up to 600 people.

In the first year of operation 24,000 users passed through the doors.

To accommodate growth in the area, the facility has scope for further development as required in the future.

THE BENEFITS

Wanaka Sport and Recreation Centre complements the community's already rich sporting culture, and Council staff are working with local people to ensure maximum value is achieved from the facility. The local offering of recreational activities and support to clubs means that people no longer have to travel to other facilities in the district.

WHAT NEXT?

The Centre will continue to develop with two grass sports fields ready early in 2018 and a brand new swimming pool, adjacent to the stadium, opening shortly after.

WHAT HAS BEEN ACHIEVED?

The Queenstown Lakes District Events Strategy 2015-2018 commits the Council to providing significant support to both commercial and community events in the district.

The vision of this strategy is to, ‘promote and support a balanced portfolio of sporting and cultural events that meet community objectives for the District as a whole in respect of recreational activities, community infrastructure and economic growth’. The funding framework within the strategy provides a mechanism for evaluating events against a set of outcomes.

LUMA Southern Lights Project was granted $80,000 for their 2017 festival, which has gone from strength to strength since originally piloted in 2015 as part of WinterFest. Set in the Queenstown Gardens over the Queen’s Birthday weekend, the event was a vibrant celebration of light sculptures, installations and projections, alongside an ‘art walk’, outdoor cinema and lounge area.

4

COUNCIL OUTCOME
Economy

PROJECT
LUMA

THE BENEFITS

The free event encouraged local people and tourists into the town centre during the shoulder season. The festival organisers suggested that there were over 35,000 visitors, the majority of which were locals.

Queenstown based companies, South Island Light Orchestra (SILO) and TomTom Productions were involved with production of the event alongside Angus Muir Design. The LUMA festival therefore delivers against outcomes in the Events Strategy regarding use of local personnel and suppliers.

WHAT NEXT?

Due to the success of the festival in 2017, and continuing the Council’s commitment to supporting local events, the LUMA Southern Light Project was awarded $100,000 during the 2017-2018 Events Funding Round.

Photo credit: LUMA 17 - Che McPherson Pixel Peeps

Photo credit: LUMA 17 - Che McPherson Pixel Peeps

INFRASTRUCTURE

OUR LONG TERM COUNCIL OUTCOME IS:

High performing infrastructure and services that:

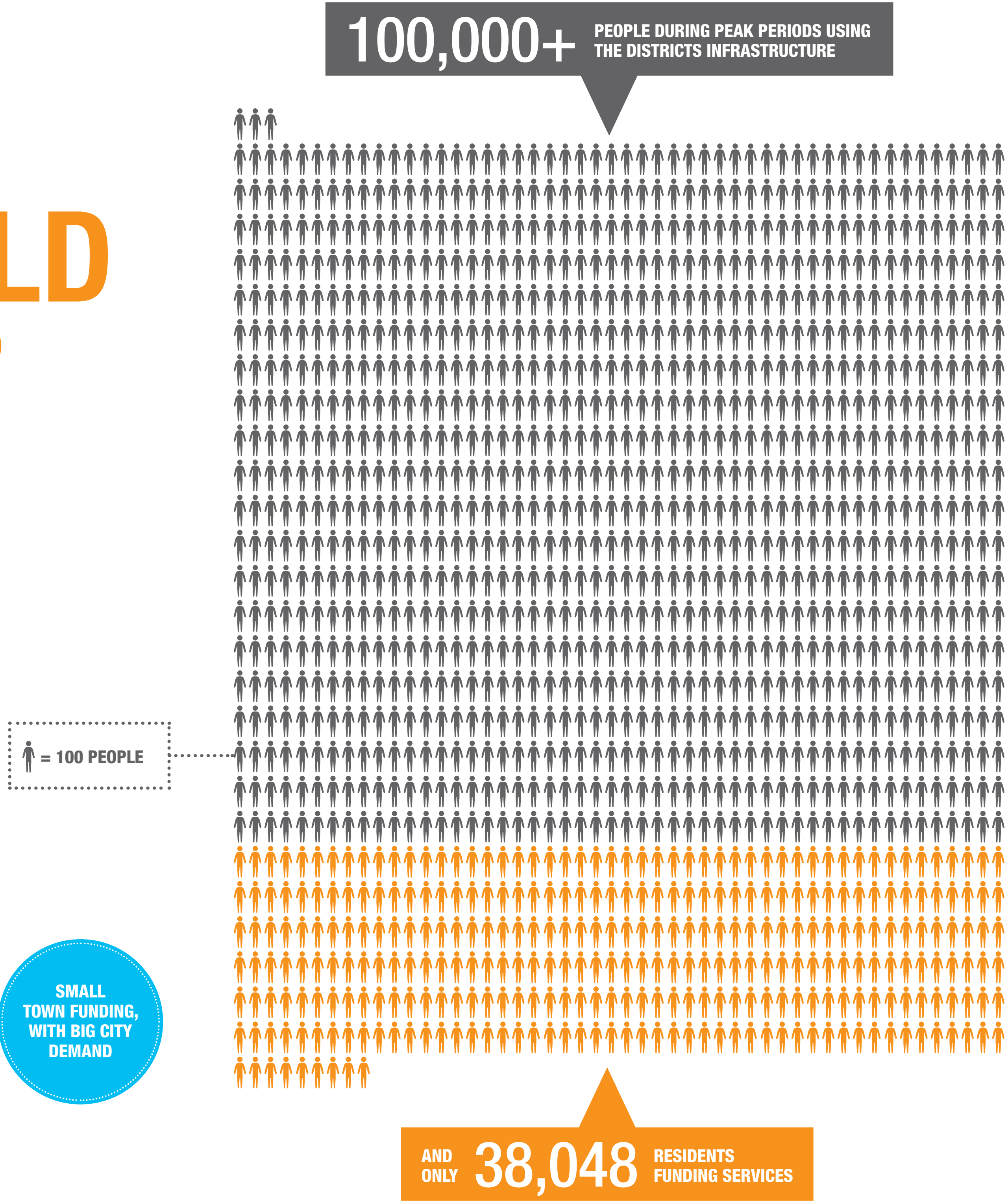
> meet current and future user needs and are fit for purpose;

> are cost effectively and efficiently managed on a full life-cycle basis; and

> are affordable for the District.

WHY SHOULD YOU CARE?

In December 2014 the Council adopted the 30-year Infrastructure Strategy, as required under the 2014 reforms to the Local Government Act 2002. The strategy is recognised as an important document to continuously improve the provision of core services to the community. The document focuses on the core infrastructure services of drinking water supplies, wastewater collection and treatment, stormwater management and discharge, roading and footpaths.



WHAT WE DELIVER

We will deliver this outcome through the following activities:

1. Water Supply
2. Stormwater
3. Wastewater
4. Waste Management
5. Transport, including roading, parking and footpaths

Collectively known as 3 Waters

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

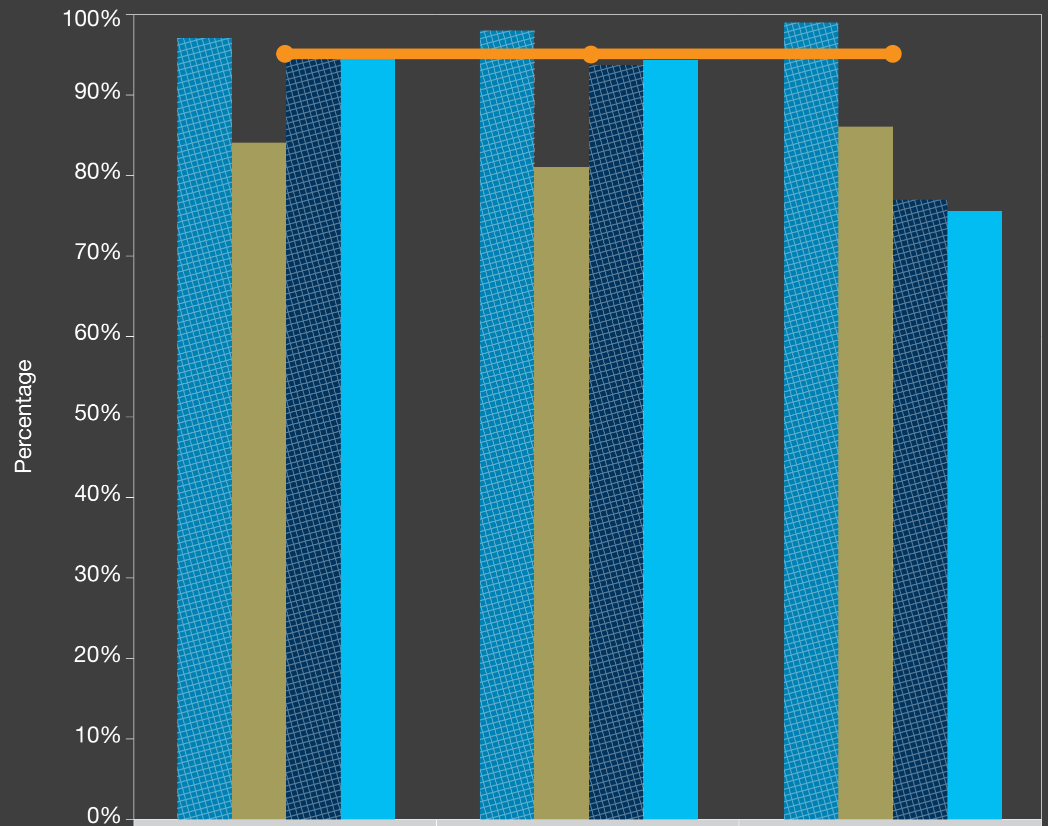
Affordability

KPI: Percentage variance from original budget for a) operational expenditure and b) capital expenditure

Year	Result	Target	Commentary
A) OPERATIONAL EXPENDITURE			
2014/15	-10.2%	Range of 0% and -5%.	Waste management operational costs escalated this year due to volume and the cost of carbon credits ($1.9m). These volume costs have been offset by additional revenue. Wastewater costs were $1.4m below budget as a result of a reduction in financing costs. Stormwater and water supply were within budget and roading slightly over budget.
2015/16	-3.3%		
2016/17	-0.3%		
B) CAPITAL EXPENDITURE			
2014/15	62.9%	Range of 0% and -10%	The timing of the construction of Hawthorne Drive has generated negative variances in three waters and roading. This project is on target to be completed within budget by December 2017. A deferral of the Glenorchy waste water scheme has also impacted this negative variance.
2015/16	10.2%		
2016/17	-12.4%		

RESPONSE TIMES

KPI: Percentage of Requests for Service (RFS) resolved within specified timeframe



	2014/15	2015/16	2016/17
3 Waters	97%	96%	98%
Solid waste	84%	79%	85%
Roading	95%	94%	77%
Pollution	95%	95%	75%
Target	95%	95%	95%

Emphasis on the 95% target has been a focus this year, resulting in improvements for solid waste and three waters. Roading has seen a marked decrease to 77% as a result of three factors; increased volume of requests, increased complexity of requests and increased travel time around the district.

Refer to page 27 for further detail about the survey model used.

WATER SUPPLY

WHY SHOULD YOU CARE?

ABOUT WATER SUPPLY

QLDC is responsible for approximately 451km of water mains and 11 treatment plants serving approximately 23,372 demand units that between them use a total of approximately 28,000 cubic metres of water per day.

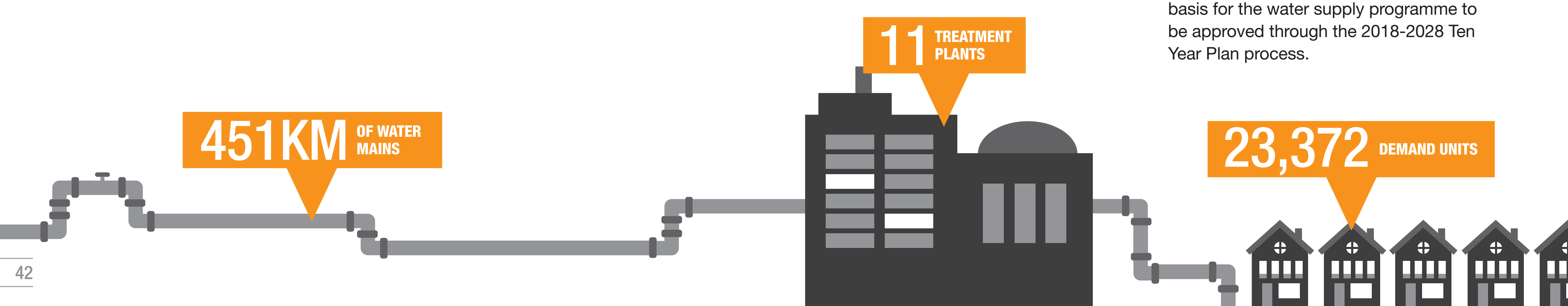
The 3 Waters Strategy was adopted by the Council in June 2011. This strategy recognised that the key to the management of its infrastructure is balancing the affordability of maintaining the existing networks and creating additional capacity with a reduction in risk, aging networks, a demand for growth, and an improved level of service. Key strategic priorities are also addressed in the 2015-45 Infrastructure Strategy.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

In April 2015, the first of 970 water meters was installed across the district as part of a water meter trial. This included 343 automatic and 627 manually read meters. The trial identified water use behaviours, technical issues relating to meter installations, water losses and cost benefit metering. A significant reduction in water use could be achieved by metering and user charging. However, algae issues within the water supply for Wanaka and Queenstown need to be addressed before wide scale metering could be implemented.

In light of the recent water supply contamination crisis in Havelock North, the Council completed a significant review of the water supply risk register and associated emergency communications plans. Short, medium and long term solutions have been identified to reduce the risks to public health.

Long term water master plans are being prepared, or are in progress, to address future water demand and water quality risks. These master plans will provide the basis for the water supply programme to be approved through the 2018-2028 Ten Year Plan process.



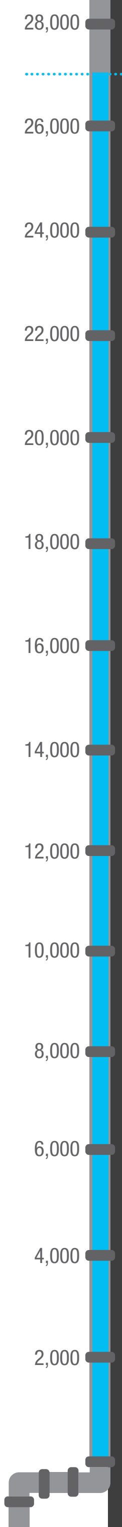
HOW MUCH IT COST

Breakdown of service cost

WATER SUPPLY	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	6	4
Targeted Rates	7,105	7,198	7,222
Subsidies & Grants for Operating expenditure	-	-	-
Fees & Charges	59	62	44
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	-	-	4
Total Sources of Operating Funding	**7,164**	**7,266**	**7,274**
Applications of Operating Funding			
Payments to Staff and Suppliers	4,142	4,388	4,349
Finance Costs	950	1,072	553
Internal Charges Applied	758	740	858
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**5,850**	**6,200**	**5,760**
Surplus/(Deficit) of Operating Funding	**1,314**	**1,066**	**1,514**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	907	907	1,896
Increase/(Decrease) in Debt	(44)	4,111	1,081
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**863**	**5,018**	**2,977**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	797	2,458	1,813
- to replace existing assets	1,025	1,303	1,551
- to improve the level of service	864	3,193	1,164
Increase/(Decrease) in Reserves	(509)	(870)	(37)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**2,177**	**6,084**	**4,491**
Surplus/(Deficit) of Capital Funding	**(1,314)**	**(1,066)**	**(1,514)**
Funding Balance	**-**	**-**	**-**

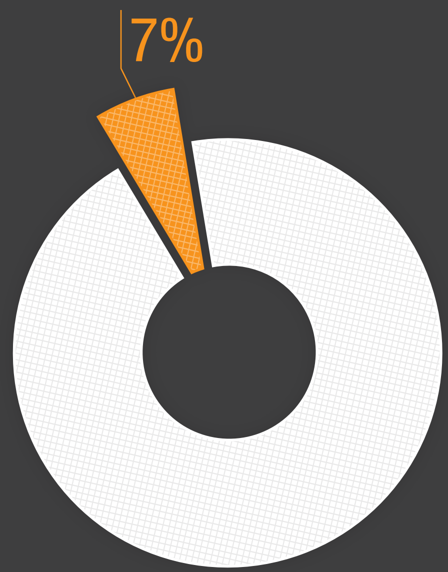
Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
Not applicable	Three projects over $0.5m were included in this year's programme. Works aligned with the construction of Hawthorne Drive ($1.32m), completion of the Anderson Road, Wanaka extension ($0.42m) and the Shotover Country bore ($0.42m).	$1.5m of the variance arises from the delay in construction of the Shotover Country to Glenda Drive rising main.

Summary of internal borrowings				
Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Water supply	4,925	518	810	235



28,000 CUBIC METRES OF WATER PER DAY

AS A PERCENTAGE OF TOTAL EXPENDITURE



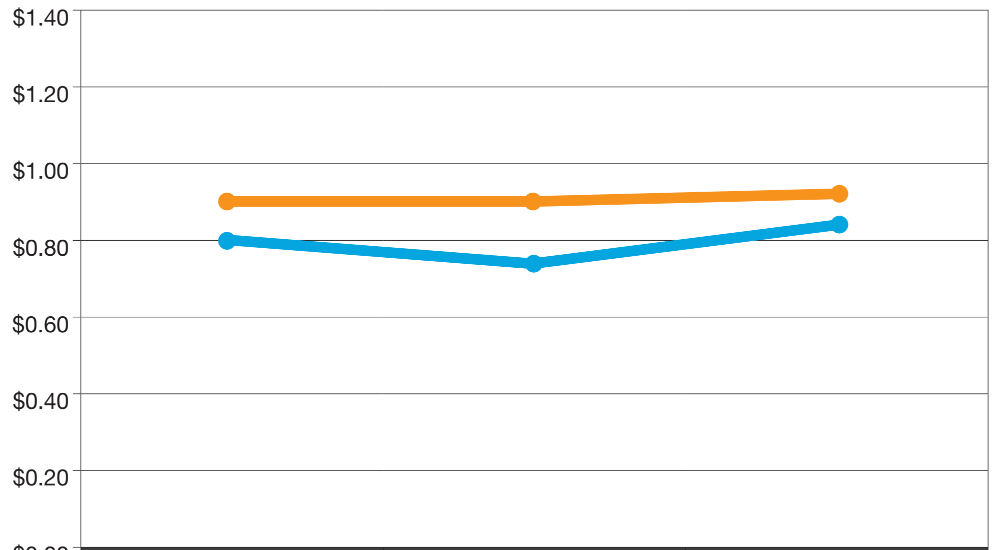
Total operating expenditure of **$86,496,000** (excluding depreciation)

Water supply expenditure of **$5,760,000**

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Annual cost of water supplied per cubic metre



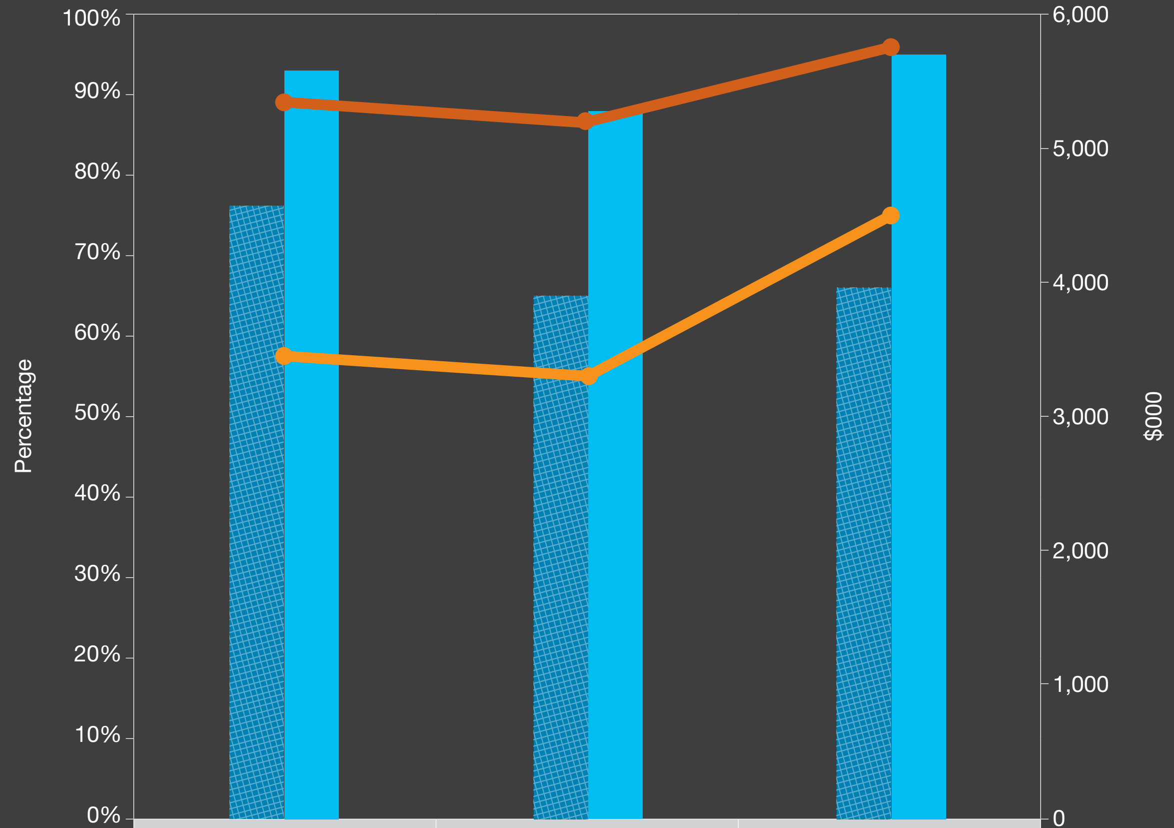
	2014/15	2015/16	2016/17
Cost per cubic metre	$0.80	$0.73	$0.84
Target	$0.90	$0.90	$0.92*

The cost of water per cubic metre increased this year due to unscheduled maintenance items in June. A reduction of 4.5% in volume of cubic metres has further increased this price per cubic metre. The result is still well within our threshold of 0.92c per cubic metre.

*Targets account for increased capital, power and treatment costs (as stated in 10YP)

OVERALL PERFORMANCE OF WATER SUPPLY

Impact of expenditure on service performance



	2014/15	2015/16	2016/17
Satisfaction with water supply	76%	65%	66%
Urgent requests responded to within specified timeframe	92%	88%	95%
Opex	5,306	5,261	5,760
Capex	3,572	3,327	4,528

Satisfaction with water supply has continued to improve, in tandem with a significant increase in response times to urgent requests. The increase in capital expenditure is the inclusion of works to align with the construction of Hawthorne Drive.

Please refer to page 27 for further detail about the Resident and Ratepayer Survey.

DIA MEASURES

The Department of Internal Affairs (DIA) outlines a range of benchmarking measures for inclusion in the Annual Report. The following measures relate to our performance for water supply:

Water Supply	2016/17 Target	2016/17 Result	Commentary
Percentage of water lost from each municipal water reticulation network.	<40%	31%	The District is significantly below the benchmark set, demonstrating a commitment to water reticulation network management efficiency.
Median response time to attend to urgent and non urgent issues resulting from municipal water reticulation network faults and unplanned interruptions: **A)** between the time of notification and the time when service personnel reach the site; and **B)** between the time of notification and resolution of the fault or interruption	**A)** <60 mins **B)** <240 mins	**A)** 14.5 minutes **B)** 221.5 minutes	The DIA target set for this measure refers to emergency leaks (property at risk) only, however QLDC does not currently distinguish between urgent and non-urgent and this can misrepresent the result. Resolution times are within the contract specification. This target is being reviewed as part of the 2018 Ten Year Plan process and will be rectified from 1 July 2018.
Number of complaints per 1000 connections to a public water reticulation network about: **A)** the clarity of drinking water; **B)** the taste of drinking water; **C)** the odour of drinking water; **D)** the pressure or flow of drinking water; **E)** the continuity of supply of drinking water; **F)** the way in which a local government organisation responds to issues with a water supply.	<5 per 1000 connections	14.88 per 1000 connections	QLDC's current method of data capture does not distinguish between faults and complaints. The new complaints system is being progressed which will enable this measure to be captured.
Average consumption of water per person per day.	<590L/person/day	529.42L	The District is significantly below the benchmark set, demonstrating a commitment to water supply efficiency.

Water Supply	2016/17 Target	2016/17 Result	Commentary
Compliance of each municipal water supply with the Drinking Water Standards New Zealand (DWSNZ) for protecting public health, specifically:	Full compliance by 2018 (combined)	Result for 2016/17 not yet available. Result for 2015/16 55%	The 55% compliance is an increase from 48% in 2014/15. Further compliance works have been completed in 2016/17, which will continue to drive improvements for the 2016/17 year QLDC tests for compliance within our treatment plants and distribution systems. Treatment plants include the water sources (rivers, aquifers) and the treatment plants to remove the bugs from these sources. Distribution systems include the reservoirs and pipes that store and move the water around the systems once treated.
A) bacteriological compliance (DWSNZ, part 4); and	Full compliance by 2018	Result for 2016/17 not yet available. Result for 2015/16 75%	Bacteriological compliance was achieved in 2015/16 for the Arrowtown treatment plant and distribution system, Arthurs Point distribution system, Luggate treatment plant and the Albert Town distribution system. Both the Hawea treatment plant and distribution system were non-compliant this year, a shift from being compliant in 2014/15. Of the 28 treatment plants and distribution systems, 21 were compliant with the bacterial requirements of the Drinking Water Standards New Zealand (DWSNZ). The non-compliant treatment plants were: • Two Mile – capital investment is required to comply • Kelvin Heights – high turbidity events lead to periods of non-compliance • Hawea – disinfection plant upgrade completed in 2016/17 • Wanaka Western – long term plan is to decommission this intake • Wanaka Beacon - Capital investment needed for additional treatment barriers. The non-compliant distribution systems were: • Hawea - disinfection plant upgrade completed in 2016/17 • Wanaka Airport – an interim disinfection upgrade is planned until a permanent solution can be installed.
B) protozoal compliance (DWSNZ, part 5).	Full compliance by 2018	Result for 2016/17 not yet available. Result for 2015/16 14%	Of the 14 distribution systems, two were compliant with the protozoal requirements of the Drinking Water Standards New Zealand (DWSNZ). The non-compliant distribution centres were: • Two Mile– capital investment is required to comply • Kelvin Heights – high turbidity events lead to periods of non-compliance • Arrowtown - capital investment needed to comply • Arthurs Point- capital investment is required for additional treatment barriers • Corbridge Downs - improvements to bore planned for 2017/18 • Glenorchy - capital investment is required for additional treatment barriers • Glendhu – disinfection plant upgrade completed in 2016/17 • Hawea– disinfection plant upgrade completed in 2016/17 • Luggate- capital investment is required for additional treatment barriers • Wanaka Airport - capital investment required to comply • Wanaka Western– long term plan is to decommission this intake • Wanaka Beacon - capital investment is required for additional treatment barriers.

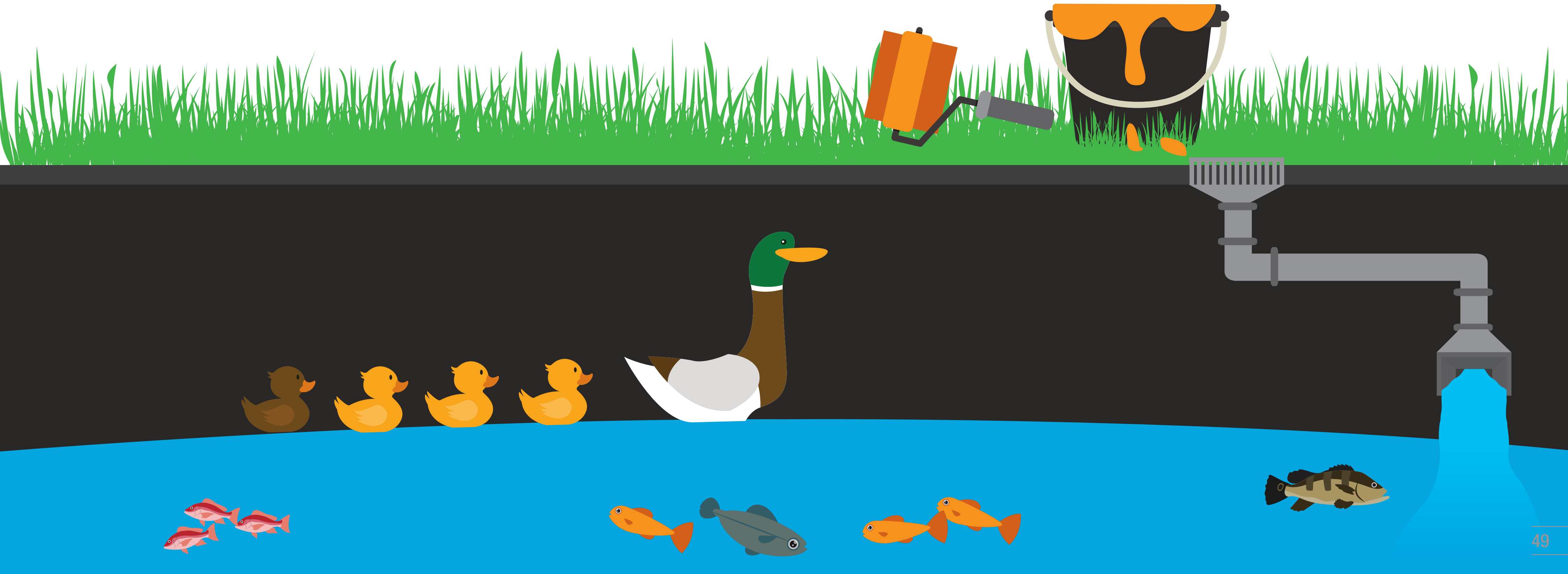
STORMWATER

WHY SHOULD YOU CARE?

STORMWATER IS A LEADING CAUSE OF

WATER POLLUTION

IT RUNS OFF THE GROUND OR IMPERVIOUS SURFACES AND COLLECTS POLLUTANTS SUCH AS OIL, PESTICIDES, SEDIMENTS, BACTERIA, AND OTHER CHEMICALS, AND THEN DEPOSITS THEM DIRECTLY INTO OUR WATERWAYS. THIS RUNOFF CAN KILL AQUATIC LIFE, AND MAKE OUR WATERWAYS AN UNHEALTHY PLACE TO LIVE, WORK, AND PLAY.

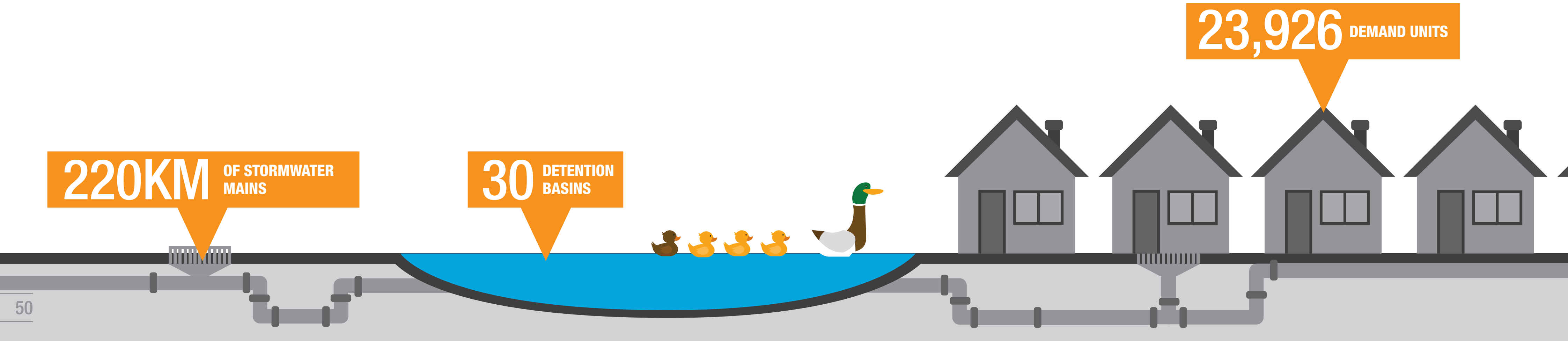


ABOUT STORMWATER

QLDC is responsible for approximately 220km of stormwater mains, 30 detention basins and a number of interceptors (basic stormwater separators) serving around 23,926 demand units. The system caters for an average ten year flood event.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- A conservative approach has been applied to investing in new Council stormwater infrastructure, but replacement and condition assessment has continued. There has been a focus on data collection, renewal planning and maintenance scheduling whilst continuing to address flood protection and erosion prevention.
- Catchment management plans have been reviewed and risk assessment completed to identify priority flooding issues and mitigation projects for the proposed 2018-2028 Ten Year Plan.



HOW MUCH IT COST

Breakdown of service cost

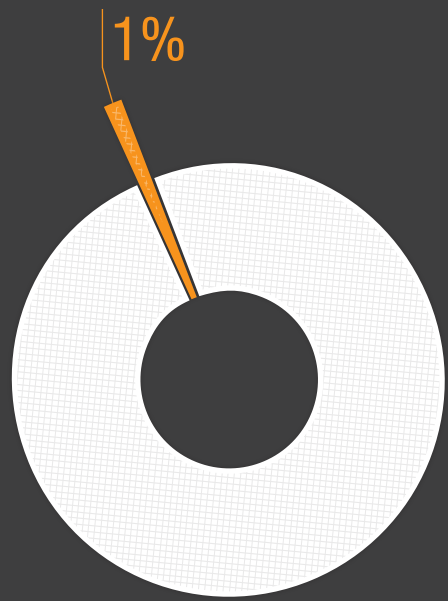
STORMWATER	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	1,345	1,942	1,543
Subsidies & Grants for Operating expenditure	-	-	-
Fees & Charges	-	-	-
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	377	390	332
Total Sources of Operating Funding	**1,722**	**2,332**	**1,875**
Applications of Operating Funding			
Payments to Staff and Suppliers	347	367	377
Finance Costs	296	503	123
Internal Charges Applied	274	268	133
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**917**	**1,138**	**633**
Surplus/(Deficit) of Operating Funding	**805**	**1,194**	**1,242**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	313	313	742
Increase/(Decrease) in Debt	1,497	4,850	2,978
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**1,810**	**5,163**	**3,720**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	2,596	6,168	3,715
- to replace existing assets	82	390	87
- to improve the level of service	55	431	45
Increase/(Decrease) in Reserves	(118)	(632)	1,115
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**2,615**	**6,357**	**4,962**
Surplus/(Deficit) of Capital Funding	**(805)**	**(1,194)**	**(1,242)**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
Not applicable	93% of the capital expenditure ($3.6m) was alignment of the reticulation works of Hawthorne Drive.	The reduction in capital spent compared with budget is due to the timing of construction of Hawthorne Drive. This project will be completed in 2017/18 financial year.

Summary of internal borrowings

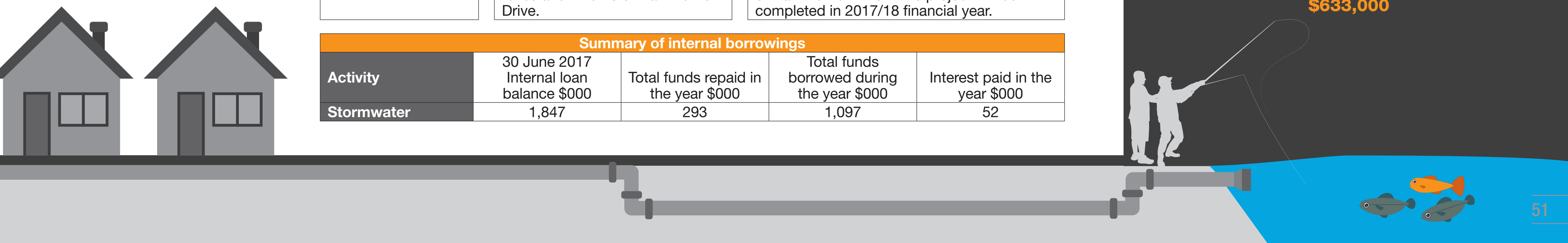
Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Stormwater	1,847	293	1,097	52

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

Stormwater expenditure of **$633,000**



HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Number of flooding events each year to habitable floors per 1000 properties resulting from overflows from a municipal storm water system

Year	No. of flood events	Target <2 per year	Commentary
2014/15	0.1	<2 per year	There were two flooding events to habitable floors during the year. These were due to stormwater overflows during periods of heavy rain. The contractor has now increased stormwater maintenance when periods of heavy rain are anticipated.
2015/16	0	<2 per year	There were no flooding events to habitable floors this year.
2016/17	0	<2 per year	There were no flooding events to habitable floors this year.

DIA MEASURES

The Department of Internal Affairs (DIA) outlines a range of benchmarking measures for inclusion in the Annual Report. The following measures relate to our performance for stormwater:

Stormwater	2016/17 Target	2016/17 Result	Commentary
Number of flooding events each year to habitable floors per 1000 properties resulting from overflows from a municipal storm water system.	<2 per 1000 properties	0 per 1000 properties	The District is significantly below the benchmark set by the DIA, demonstrating best practice stormwater management.
Compliance with resource consents for discharge from a municipal storm water system, measured by the number of: **A)** abatement notices; and **B)** infringement notices; and **C)** enforcement orders; and **D)** successful prosecutions.	100%	100%	The District meets the benchmark set, demonstrating good monitoring and enforcement practice.
Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in a municipal storm water system.	<3 hours	0 hours	The District is comfortably below the benchmark set by the DIA, demonstrating a timely and effective response to urgent stormwater issues.
Number of complaints per 1000 properties connected to a municipal storm water system about: **A)** faults (including blockages) with a municipal storm water system.	<5 per 1000 properties	7.83	QLDC does not currently distinguish between complaints from customers and issues raised by contractors through scheduled preventative maintenance. Therefore, the figure of 7.83 is not representative of issues raised as complaints from customers only. The new complaints system is currently being progressed which will enable this DIA measure to be captured for the 2017/18 reporting year.

WASTEWATER

WHY SHOULD YOU CARE?

ABOUT WASTEWATER

QLDC is responsible for approximately 409km of wastewater mains, 62 pump stations and four treatment plants serving approximately 22,006 demand units that between them discharge a total of approximately 13,000 cubic metres of wastewater per day. This includes the larger plants, namely Project Pure (wastewater treatment plant and disposal to land at Wanaka) and the Project Shotover (wastewater treatment and disposal to land).

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

Work has been ongoing this year with several communities, keen to assess options for managing wastewater in the future. Option assessments for the Cardrona, Glenorchy and Luggate communities has identified preferred solutions and continuing progress is being made.

Stage One of the Project Shotover upgrade was completed on schedule and budget with the treatment plant becoming operational in February 2017. This new plant will deliver higher standards of wastewater treatment within Wakatipu, along with significant environmental benefits to the district.

Implementation of the Trade Waste by-law commenced and QLDC are working alongside trade waste producers to reduce waste. Significant progress has been made with a reduction of fat, oils and greases, which are responsible for blockages and sewer overflows in the wastewater network.

HOW MUCH IT COST

Breakdown of service cost

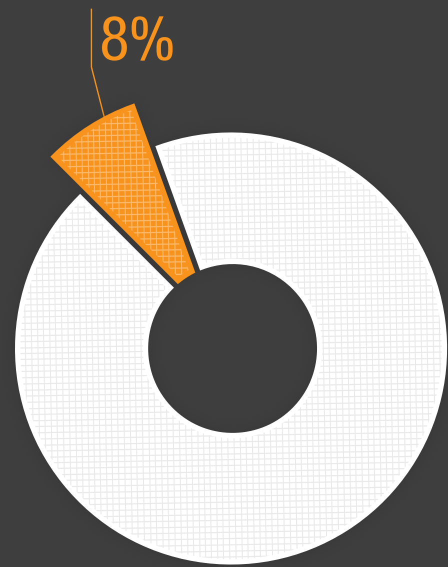
WASTEWATER	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	315	318	247
Targeted Rates	7,490	8,145	9,071
Subsidies & Grants for Operating expenditure	-	-	-
Fees & Charges	63	67	232
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	-	-	209
Total Sources of Operating Funding	**7,868**	**8,530**	**9,759**
Applications of Operating Funding			
Payments to Staff and Suppliers	3,629	4,006	4,978
Finance Costs	2,106	2,669	1,247
Internal Charges Applied	843	822	1,031
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**6,578**	**7,497**	**7,256**
Surplus/(Deficit) of Operating Funding	**1,290**	**1,033**	**2,503**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	1,865	1,864	4,602
Increase/(Decrease) in Debt	12,689	6,055	2,480
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**14,554**	**7,919**	**7,082**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	3,707	3,623	3,061
- to replace existing assets	1,720	1,048	2,336
- to improve the level of service	11,431	5,605	4,520
Increase/(Decrease) in Reserves	(1,014)	(1,324)	(332)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**15,844**	**8,952**	**9,585**
Surplus/(Deficit) of Capital Funding	**(1,290)**	**(1,033)**	**(2,503)**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
Not applicable.	Stage one of Project Shotover was completed in 2016/17. Total expenditure for this year totalled $5.8m.	Not applicable.

Summary of internal borrowings				
Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Wastewater	11,313	1,119	1,789	530

62 PUMP STATIONS

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

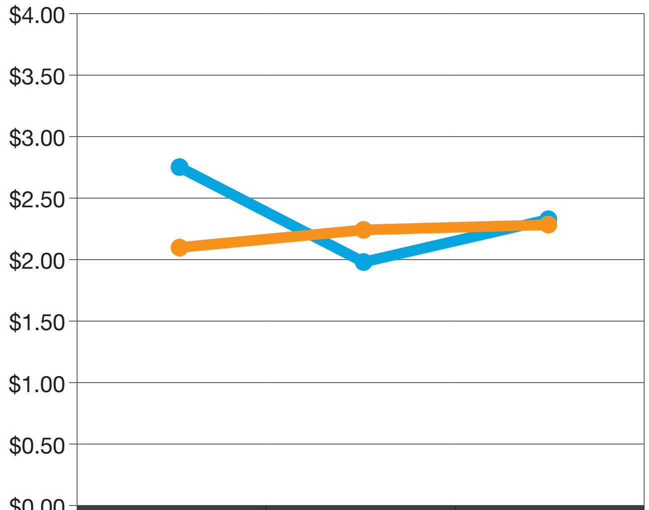
Wastewater expenditure of **$7,256,000**

13,000 CUBIC METRES OF WASTEWATER PER DAY

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Annual cost of wastewater



	2014/15	2015/16	2016/17
Cost per cubic metre	$2.76	$1.96	$2.28
Target	<$2.15	<$2.25	<$2.27

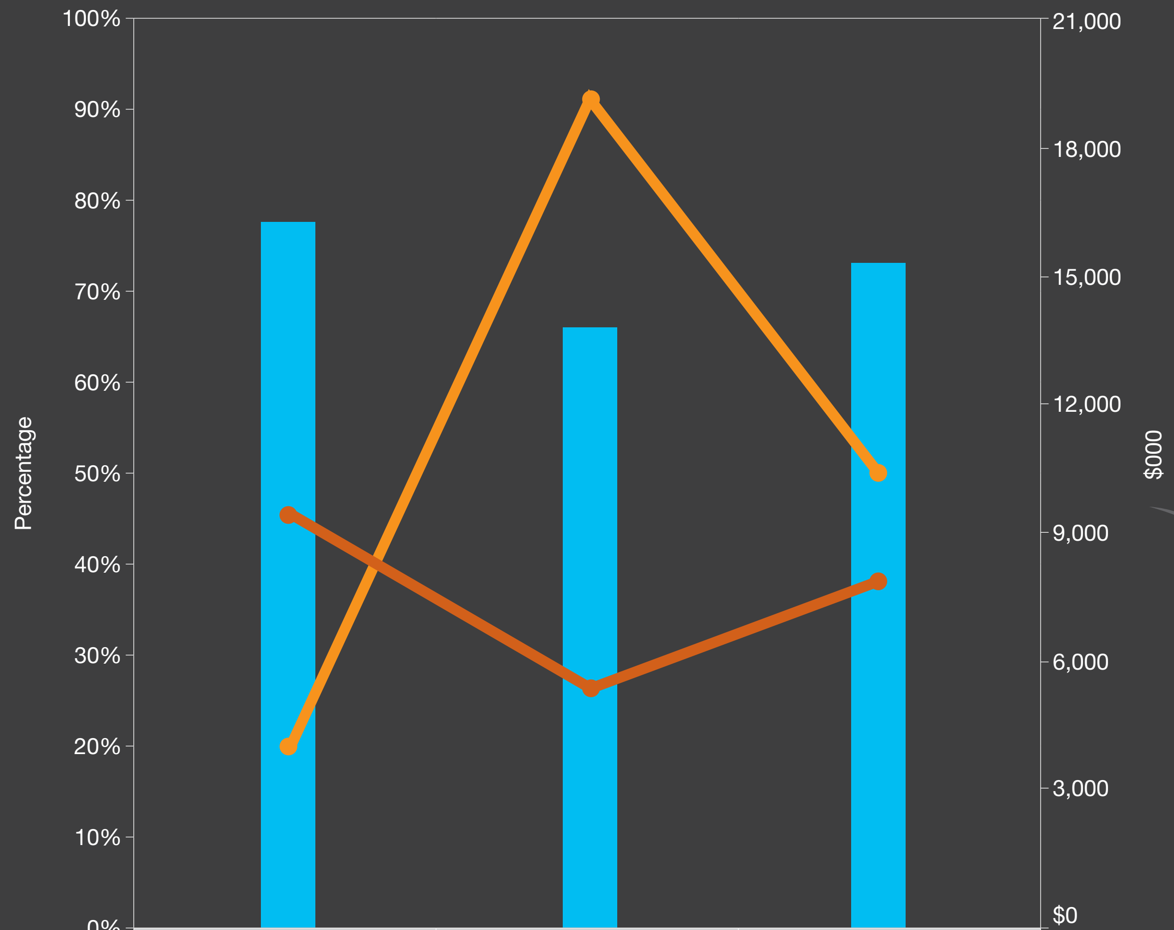
With Project Shotover commissioned and in operation from February 2017, the total cost of waste water has increased. Volumes remained relatively stable. This has aligned our cost per cubic metre of $2.28 with our target of $2.27.

KPI: Median response time to attend to sewage overflows resulting from blockages or other faults of a municipal sewerage system:
a) between the time of notification and the time when service personnel reach the site; and
b) between the time of notification and resolution of the blockage or other fault.

	Year	Result	Target	Commentary
A)	2014/15	16.6 minutes	60 minutes	QLDC continues to achieve the targets set by a considerable margin.
B)		109.4 minutes	240 minutes	
A)	2015/16	7.73 minutes	60 minutess	
B)		165.25 minutes	240 minutes	
A)	2016/17	5.0 minutes	60 minutess	
B)		135 minutes	240 minutes	

OVERALL PERFORMANCE OF WASTEWATER

Impact of expenditure on service performance



	2014/2015	2015/2016	2016/2017
Satisfaction with wastewater	78%	66%	73%
Opex	9,118	5,649	7,256
Capex	3,865	19,241	9,917

Satisfaction with wastewater services improved significantly this year. Project Shotover was commissioned in February, which caused an increase in operational expenditure (opex). The reduction in capital expenditure (capex) is due to the timing of the project, with the majority of expenditure having occurred during the previous year.

Please refer to p27 for further detail about the Resident and Ratepayer Survey.

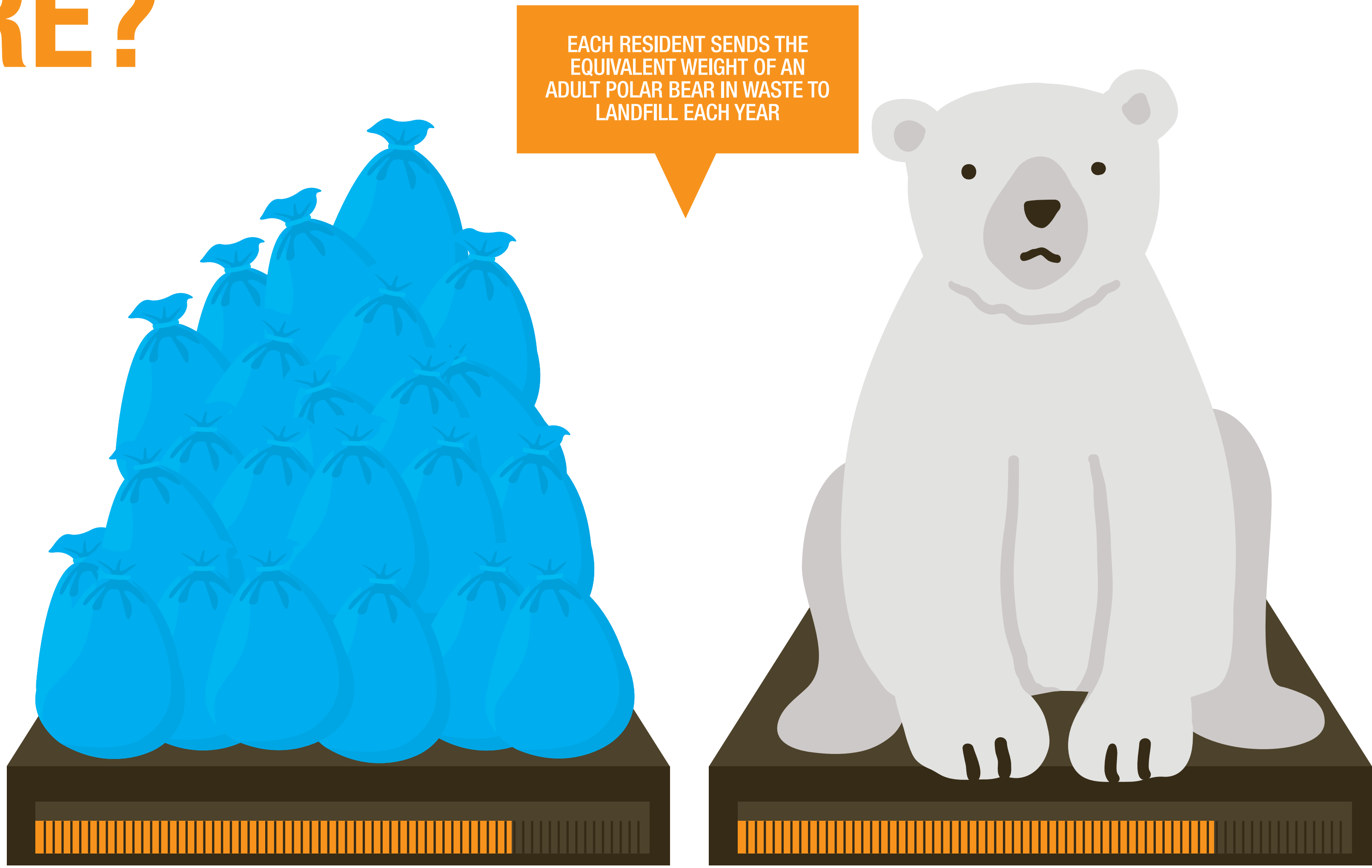
DIA MEASURES

The Department of Internal Affairs (DIA) outlines a range of benchmarking measures for inclusion in the Annual Report. The following measures relate to our performance for wastewater:

Wastewater	2016/17 Target	2016/17 Result	Commentary
Annual number of dry weather overflows from a municipal sewerage system per 1000 sewerage connections.	<3 per 1000 connections	2.12	The District is significantly below the benchmark set, demonstrating a commitment to wastewater management.
Compliance with resource consents for discharge to air, land, or water from a municipal wastewater system, measured by the number of: **A)** abatement notices; **B)** infringement notices; **C)** enforcement orders; **D)** successful prosecutions.	100%	100%	In 2016/17 the District meets the benchmark set, demonstrating good monitoring and enforcement practice.
Number of complaints per 1000 properties connected to a municipal wastewater system about: **A)** odour **B)** faults **C)** blockages **D)** the territorial authority's response to issues with its sewerage system	<5 per 1000 properties	7.85 per 1000 properties	QLDC does not currently distinguish between complaints from customers and issues raised by contractors through scheduled preventative maintenance. Therefore, the figure of 7.85 is not representative of issues raised as complaints from customers only. The new complaints system is currently being progressed which will enable this DIA measure to be captured more accurately for the 2017/18 reporting year.

WASTE MANAGEMENT

WHY SHOULD YOU CARE?



ABOUT WASTE MANAGEMENT

Waste management and recycling services include weekly kerbside refuse and recycling collection, recycling litterbins, resource recovery parks, green waste drop off sites, composting facilities and promoting waste minimisation initiatives. Rural areas are serviced by rural drop off points where economically viable. A landfill facility at Victoria Flats, and transfer stations in Queenstown and Wanaka, process waste and manage the safe disposal of hazardous materials. QLDC contracts waste and recycling to third parties.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

QLDC has continued to deliver planned waste management services in a safe and scheduled fashion. The initiatives from the refuse and recycling practice review within the CBD areas of both Queenstown and Wanaka have been implemented. This has resulted in enhanced appearance and tidiness for both of these areas.

The six-yearly review of the District's Waste Management and Waste Minimisation Plan has commenced this year. The outcomes from this review will form part of the consultation of the 2018-2028 Ten Year Plan.

A review of alternate options to divert sludge from our landfills has continued this year. This has resulted in a vermicomposting trial and solar drying facilities commencing late 2017.

There have been challenges in the ongoing management of recycled glass in the district. QLDC has identified the solution of introducing two-stream recycling in the Wakatipu ward, aligning with the Wanaka ward, and is progressing this option.

WASTE MANAGEMENT	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	2,481	2,589	2,637
Subsidies & Grants for Operating expenditure	40	42	114
Fees & Charges	4,255	4,333	5,672
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	-	-	126
Total Sources of Operating Funding	**6,776**	**6,964**	**8,549**
Applications of Operating Funding			
Payments to Staff and Suppliers	5,785	6,039	8,140
Finance Costs	248	193	118
Internal Charges Applied	623	608	787
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**6,656**	**6,840**	**9,045**
Surplus/(Deficit) of Operating Funding	**120**	**124**	**(496)**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	-	-	-
Increase/(Decrease) in Debt	(673)	(1,178)	(939)
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**(673)**	**(1,178)**	**(939)**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	10	-	17
- to replace existing assets	-	-	19
- to improve the level of service	60	-	26
Increase/(Decrease) in Reserves	(623)	(1,054)	(1,497)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**(553)**	**(1,054)**	**(1,435)**
Surplus/(Deficit) of Capital Funding	**(120)**	**(124)**	**496**
Funding Balance	**-**	**-**	**-**

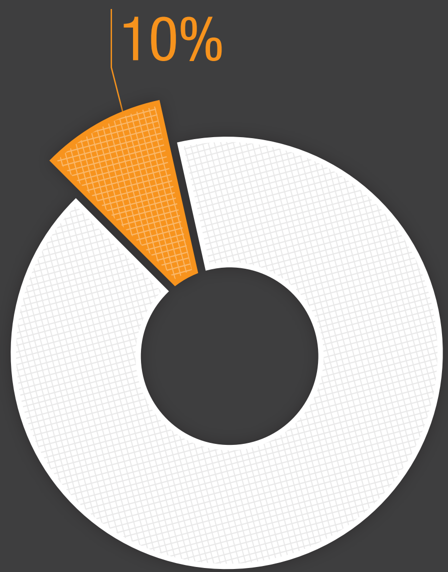
HOW MUCH IT COST

Breakdown of service cost

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
The increase in costs has been driven by two factors. Firstly, an increase in volume and secondly, a change in pricing for carbon credits. 70% of this increased cost is offset by increased revenue.	Not applicable	Not applicable

Summary of internal borrowings				
Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Sewerage	752	311	57	50

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

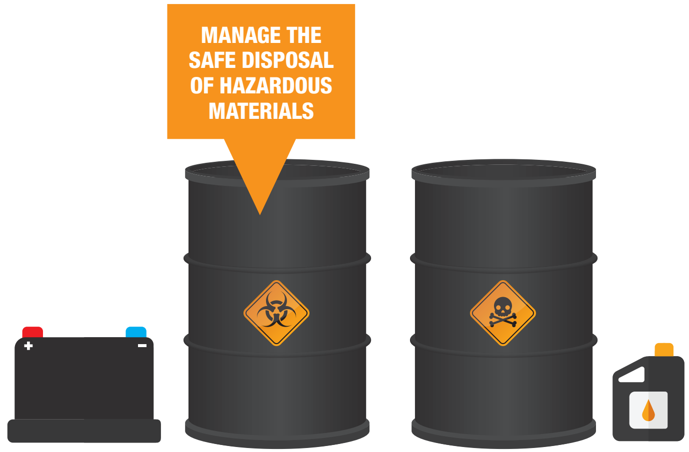
Waste Management expenditure of **$9,045,000**

HOW WE PERFORMED

HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

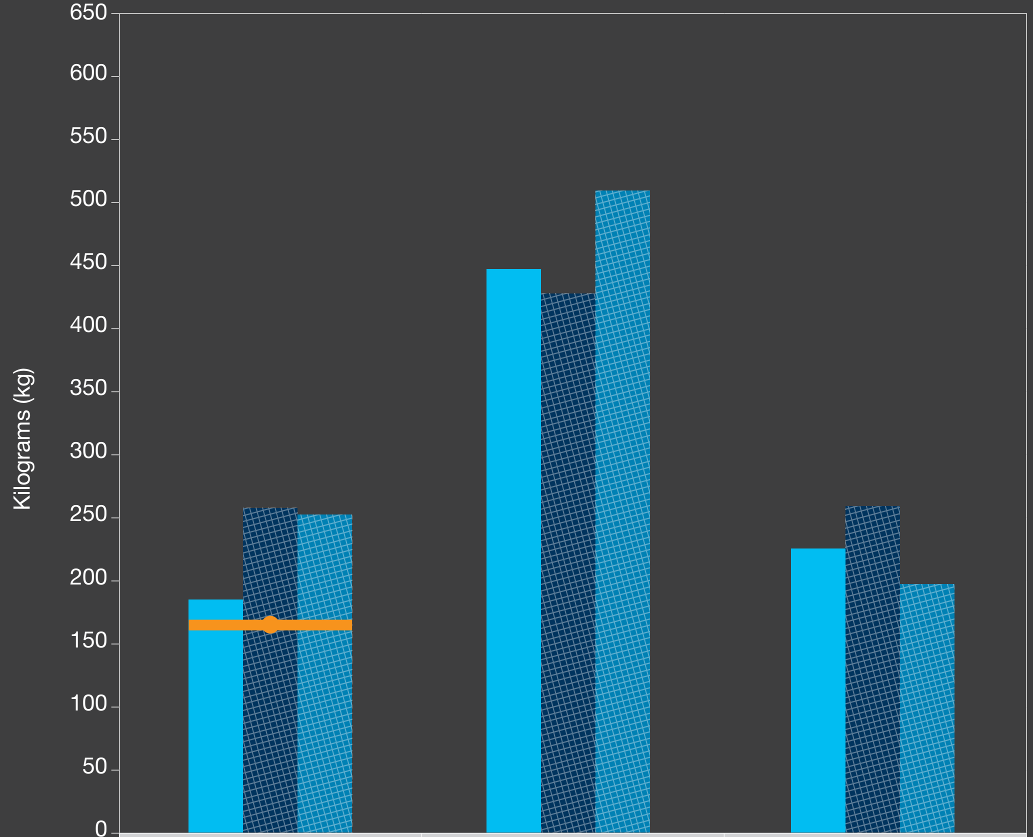
KPI: Satisfaction with street cleaning

Year	Result	Target	Commentary
2014/15	76%	>75%	During this period, satisfaction increased and was based upon results from a comparable survey.
2015/16	66%	>75%	Satisfaction appears to have dropped this year and focus will be required to understand areas of dissatisfaction. Refer to page 27 for further detail about the survey model used.
2016/17	69%	>80%	Satisfaction results have increased slightly this year.



HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Kilograms of residential waste to landfill per head of population



	Kg of residential waste to landfill	Kg of commercial waste to landfill	Kg of waste diverted from landfill
2014/15	186.60	458.05	226.65
2015/16	258.63	424.18	260.54
2016/17	253.0	518.2	197.3
Target for residential waste (as of 2016/17)	160kg	-	-

The target applicable to this KPI is for residential waste to landfill only. Specific targets were not provided within the Ten Year Plan for commercial waste to landfill and waste diverted from landfill.

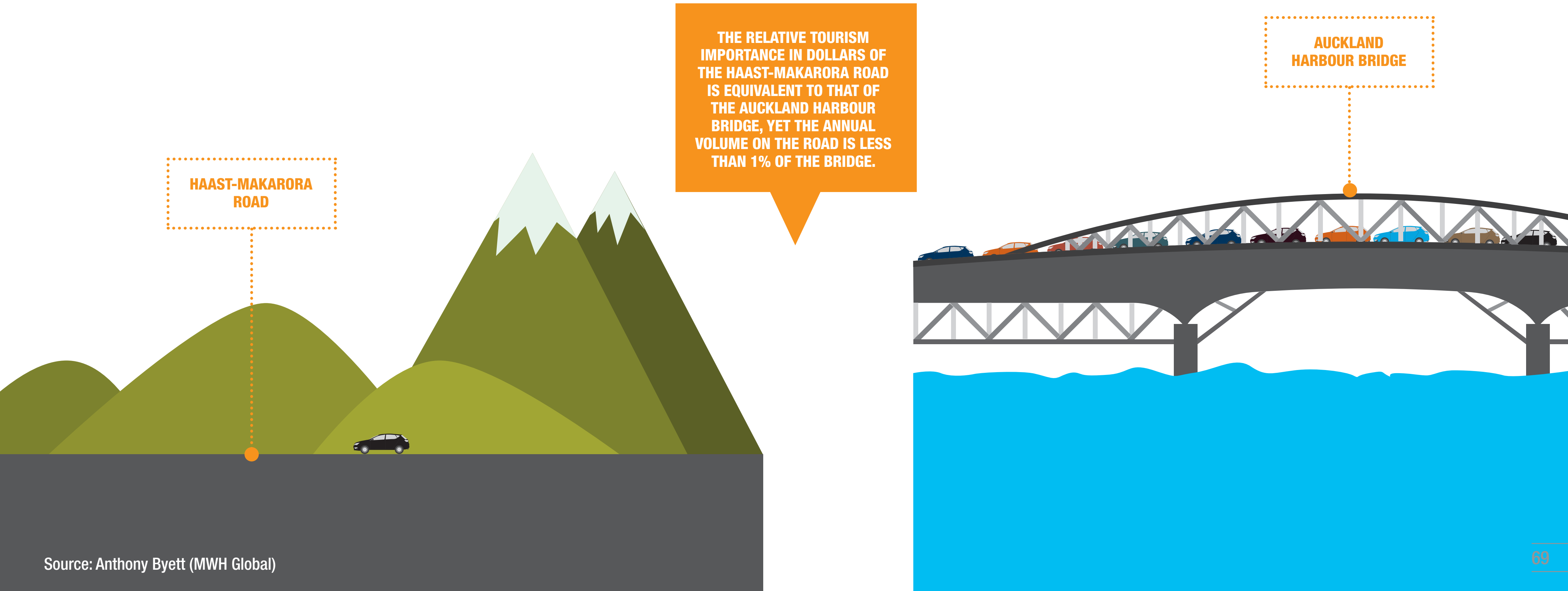
Levels of residential waste sent to landfill have decreased this year due to the issues last year with recycling glass over a two month period. From 2014/15 we have seen a lift which aligns with the growth in our population.

Commercial waste to landfall has increased as a result of increased commercial activity, particularly in the building sector and the inclusion of Wakatipu glass which was previously diverted.

TRANSPORT

[INCLUDING ROADING, PARKING AND FOOTPATHS]

WHY SHOULD YOU CARE?



Source: Anthony Byett (MWH Global)

ABOUT TRANSPORT, INCLUDING ROADING, PARKING AND FOOTPATHS

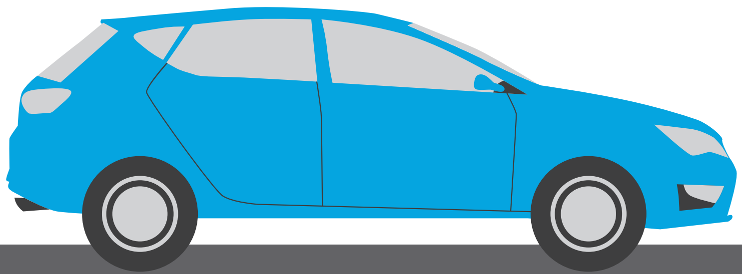
QLDC is accountable for just over 840km of local roading and public carparks located in Arrowtown, Queenstown, and Wanaka. This includes maintaining street lights and signage. In addition, there are 232km of state highways within the district and these are managed by New Zealand Transport Agency (NZTA). QLDC's transport activities are funded from a combination of local and central government funding sources.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

Our District's population growth and national and international reputation as a visitor destination are putting pressure on our roading network. Highways, local roads and suburban streets are becoming more congested, with several obvious pinch points in and around Frankton, as well as in central Queenstown. Significant steps have been taken this year to improve traffic flow and congestion, working towards a frustration-free district that can be enjoyed by residents and visitors alike.

Over the past 12 months the Council has been involved in the following changes that will result in major improvements to traffic and congestion issues.

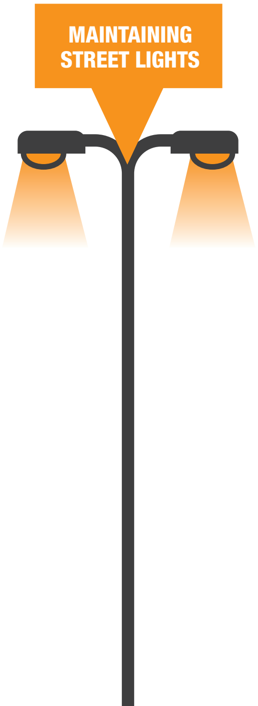
- Stage one of Hawthorne Drive was opened with a temporary surface seal, providing an alternative route for drivers travelling between Frankton and the Shotover River, enabling them to avoid the existing junction of State Highway 6 and 6A at the BP roundabout. Stage two, is scheduled for completion December 2017.
- In conjunction with the opening of Stage one of the Hawthorne Drive link, parking on State Highway 6 between the Shotover Bridge and Kawarau Falls Bridge is now prohibited. Removal of parking from these highways, eliminates a potential safety risk, whilst maintaining our world class visitor destination identity.
- A partnership with Queenstown Airport for a new park and ride facility, which provides a long term parking option for travellers.
- On street parking has been removed from Glenda Drive to ensure that traffic can flow freely along the road while it is being used as the link with Hawthorne Drive.



800KM OF LOCAL ROADS

HOW MUCH IT COST

Breakdown of service cost



ROADING AND FOOTPATHS	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	11,219	9,769	11,329
Subsidies & Grants for Operating expenditure	3,420	3,705	4,005
Fees & Charges	649	670	1,793
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	847	878	769
Total Sources of Operating Funding	**16,135**	**15,022**	**17,896**
Applications of Operating Funding			
Payments to Staff and Suppliers	6,793	6,888	7,772
Finance Costs	1,018	743	341
Internal Charges Applied	621	606	953
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**8,432**	**8,237**	**9,066**
Surplus/(Deficit) of Operating Funding	**7,703**	**6,785**	**8,830**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	9,523	14,671	7,747
Development and Financial Contributions	1,619	1,619	3,360
Increase/(Decrease) in Debt	(6,178)	(4,530)	(3,273)
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**4,964**	**11,760**	**7,834**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	5,536	8,732	9,090
- to replace existing assets	2,355	2,373	3,508
- to improve the level of service	5,577	8,385	3,197
Increase/(Decrease) in Reserves	(801)	(945)	869
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**12,667**	**18,545**	**16,664**
Surplus/(Deficit) of Capital Funding	**(7,703)**	**(6,785)**	**(8,830)**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance

The increase in cost is a result of high winter maintenance of $626,748, 92% of this expense has been recovered by NZTA subsidy.

Significant Capital Expenditure

$7.8m was spent on the construction of Hawthorne Drive. A further $0.9m was incurred for the Hawthorne Drive park and ride project.

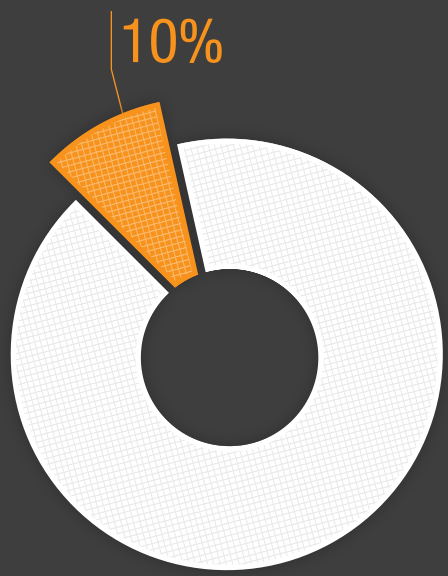
Significant Capital Expenditure Variances

The major variance relates to the construction timing of Hawthorne Drive. This project will be completed in 2017/18.

Summary of internal borrowings

Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Roading and footpaths	2,008	2,095	1,211	145

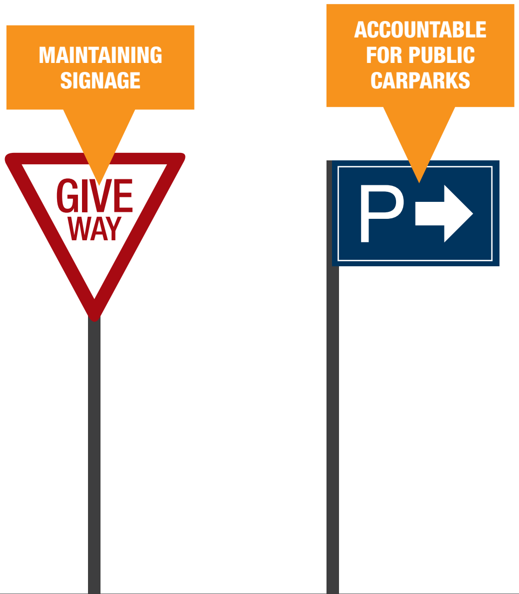
AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

Transport expenditure of **$9,066,000**

HOW WE PERFORMED



HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Annual cost per km to maintain and operate a) sealed roads b) unsealed roads

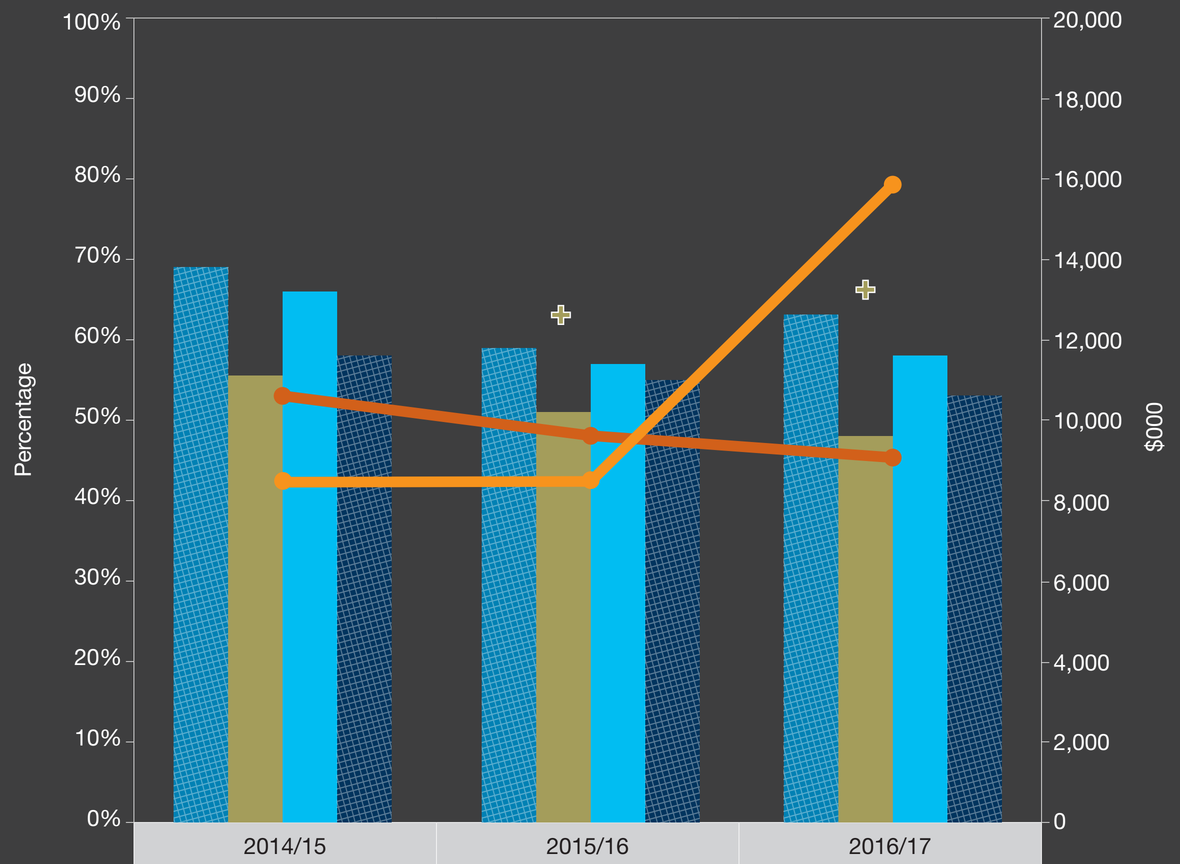
Year	Result	Target	Commentary
A) SEALED ROADS			
2014/15	$165.50	$129 per km	Sealed road costs were over the target of $129 per km due to additional budget being made available by the New Zealand Transport Agency. Actual expenditure was under the total budget by 5%.
2015/16	$214.55		
2016/17	$164.75		
B) UNSEALED ROADS			
2014/15	$84.44	$85 per km	Unsealed road costs were over the target of $85 per km due to additional budget being made available by the New Zealand Transport Agency for 2016/17. Actual expenditure was over budget by 7%.
2015/16	$98.37		
2016/17	$110.22		

KPI: Sealed road closures (planned and unplanned) that exceed the Council's service standard (one per month, no longer than 8 hours and not during peak demand times)

Year	Result	Target	Commentary
2014/15	0.25	Average of 1 per month	In 2015/16 QLDC made three unplanned sealed road closures. These were all due to a high wind weather event in November 2015 that resulted in the necessary closure of a number of roads. This achieved the target set.
2015/16	0.25		
2016/17	0		Zero sealed road closures (planned or unplanned) occurred this year. This achieved the target set.

OVERALL PERFORMANCE OF ROADS AND FOOTPATHS

Impact of expenditure on service performance



	2014/15	2015/16	2016/17
Satisfaction with sealed roads	69%	59%	63%
Satisfaction with unsealed roads	56%	51%	48%
Target (as shown in 10YP) unsealed roads	-	63%	66%
Satisfaction with footpaths	66%	57%	58%
Satisfaction with street lighting	58%	55%	53%
Opex	10,606	9,551	9,066
Capex	8,252	8,275	15,795

Satisfaction with roads, footpaths and lighting remains reasonably consistent with last year. It is likely that traffic issues within the Wakatipu Basin continue to negatively influence perception of performance in this area.

The construction of stage one of Hawthorne Drive has elevated the capital expenditure for 2016/17 and this will continue into the next year as this project progresses.

DIA MEASURES

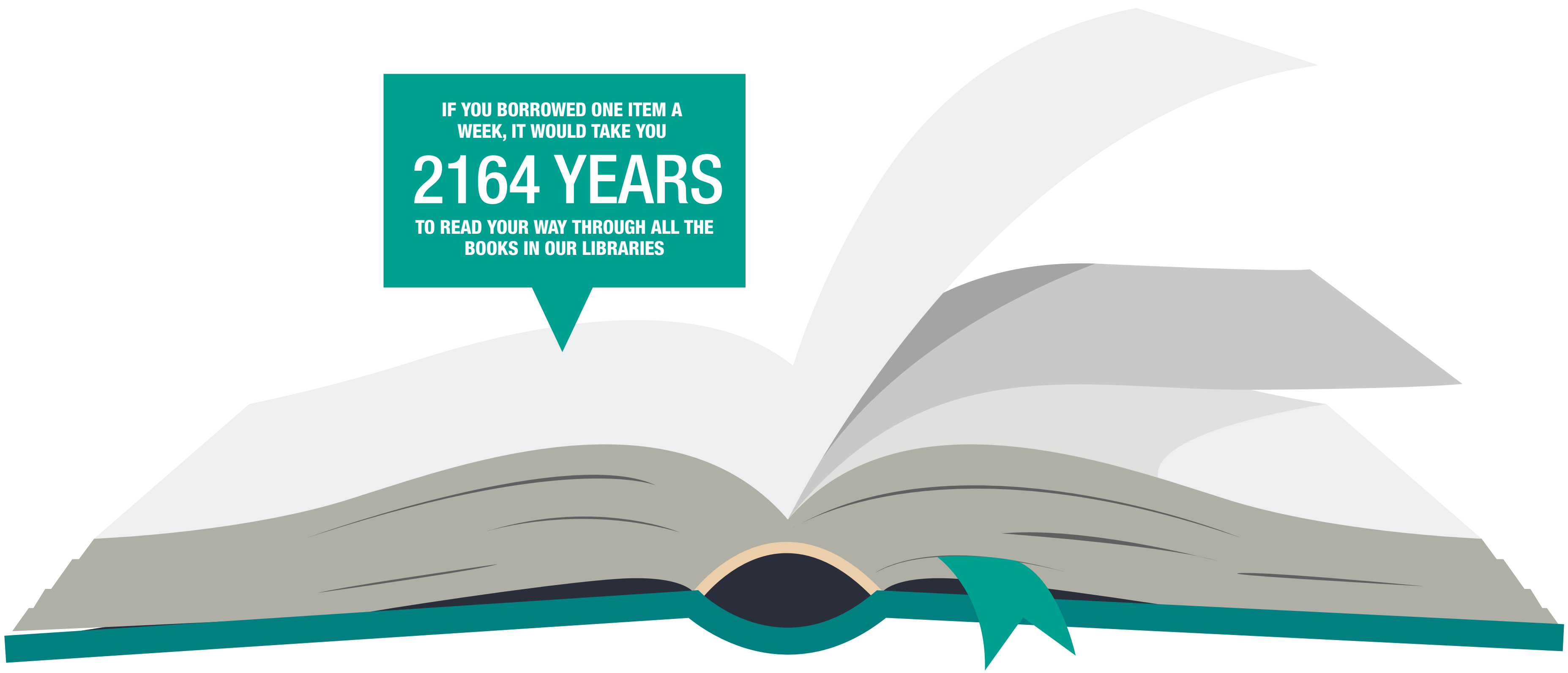
The Department of Internal Affairs (DIA) outlines a range of benchmarking measures for inclusion in the Annual Report. The following measures relate to our performance for roads and footpaths:

Roads and footpaths	2016/17 Target	2016/17 Result	Commentary
The annual change in the number of fatalities and serious injury crashes on the local road network, or the number of deaths and serious injuries per million vehicle km travelled on local roads	<13 (the total number reported in 2015/16)	15	There has been an increase in the number of fatalities and serious injury crashes on the local road network, up from 13 in 2015/16. This increase could be attributed to the rapid growth in residents and visitors to the area who may be unfamiliar with local roads and driving conditions.
The average quality of ride on a sealed local road network, as measured by the Smooth Travel Exposure Index.	>80%	89%	The District is significantly above the benchmark set by the DIA, demonstrating the high quality of the local road network.
Percentage of a sealed local road network that is resurfaced annually.	<10%	6.66%	The District is within the benchmark set by the DIA, demonstrating an effective, controlled and well-managed resurfacing programme.
Percentage of a local footpath network that is part of a local road network that falls within a local government organisation's level of service or service standard for the condition of footpaths.	95%	Not reported	QLDC does not currently have a Level of Service defined for the condition of footpaths. A Level of Service is to be developed as part of the Transport Strategy which will enable this measure to be reported on for 2018/19.

COMMUNITY SERVICES AND FACILITIES

The District's parks, libraries, recreational and other community facilities and services are highly valued by the community.

WHY SHOULD YOU CARE?



ABOUT COMMUNITY SERVICES AND FACILITIES

WHAT WE DELIVER

LIBRARY SERVICES

There are seven libraries in the Queenstown Lakes District. These are Queenstown, Wanaka, Arrowtown, Kingston, Glenorchy, Lake Hawea and Makarora. The Council considers libraries to be an important community resource, providing high-quality library services to a national standard. Queenstown Lakes District Libraries and Central Otago District Libraries are linked in a joint venture, with library membership giving access to all 14 branches and book stock across both Districts.

PARKS, RESERVES AND OPEN SPACES

Council is responsible for over 2,084ha of parks and reserves from neighbourhood parks to natural areas, forests and sports parks. It provides an extensive network of modern playgrounds and facilitates a wide range of activity including golf, bowls, specialised mountain biking parks, skateparks, cross country skiing and other sporting activities.

This activity provides and maintains a network of walking and cycle trails across the District including the New Zealand Cycleway and Te Araroa Walkway.

The Council undertakes maintenance of the Queenstown Gardens and all amenity horticulture work with its own staff, while mowing, tree maintenance and building maintenance is undertaken under contract.

Some of the facilities the Council supports and/or maintains include:

- Queenstown Gardens and Wanaka Station Park;
- 40 playgrounds and four skate parks;
- three BMX jump parks in association with local mountain bike clubs;
- 32 ha of sports fields in Queenstown, Arrowtown and Wanaka and Hawea; and
- over 150km of walkways, tracks and mountain bike trails.

FORESTS

QLDC owns three forests: Ben Lomond Reserve, Queenstown Hill Reserve and part of the Coronet Forest, shared with Central Otago District Council (CODC), in a 75:25 split.

Forests are designated under the QLDC Operative District Plan. This means that the land can be used primarily for the purpose of planting, tending, managing and harvesting of trees for timber and wood production. As QLDC's forests are production forests the Council can take advantage of spikes in export and domestic log markets by obtaining a profitable return for the valuable timber resource.

Most of the QLDC forests have been classified as Pre-1990 forests under the New Zealand Emissions Trading Scheme. QLDC must replant if the forests are felled under this scheme.

All forests have a forestry plan and are managed in line with these plans.

The reserve forests of Ben Lomond and Queenstown Hill need to be managed for a number of reasons:

- Exotic species are spreading, smothering indigenous vegetation within the reserves and spreading well beyond the reserve boundaries. There is a need to contain the forest and remove it from areas where native forest can be restored.
- The forests form the backdrop to Queenstown, providing both a recreation resource and a unique scenic landscape. There is a need to protect Queenstown's scenic appeal and enhance recreation opportunities.
- The forest protects the town from rock fall but also pose a significant fire risk, particularly if wood volumes are left unchecked.
- The forests contain some of the fastest growing Douglas fir in New Zealand so there is an opportunity to harvest timber in a sustainable manner to generate revenue for the management of the District's parks and reserves and wilding conifer control.

Forestry Management objectives are to:

- manage exotic forest to recover merchantable timber where amenity can be improved and recreational opportunities and indigenous vegetation enhanced;
- ensure the logging operations minimise impacts on landscape and recreation values and existing facilities; and
- ensure the safety of the public and other facilities on the reserve.

Coronet Forest is a production forest and needs to be managed so that maximum return is realised at harvest.

The management objectives for the Coronet Forest are to grow a crop of Douglas fir for maximum profitability within the constraints of:

- good forestry practice;
- sustainable land use; and
- respecting the wider social objectives (of landscape and public use) of QLDC as contained within the District Plan.

Coronet Forest contains only one recreational licence holder.

VENUES AND FACILITIES

The purpose of this function is to provide a range of aquatic facilities, halls and similar multiuse indoor facilities throughout the District. Major facilities such as the Queenstown Event Centre, Wanaka Recreation Centre, Queenstown Memorial Centre, Lake Hayes Pavilion, Athenaeum Hall and Lake Wanaka Centre are multi-purpose recreation and community venues.

Community halls such as Kingston, Glenorchy, Hawea Flat, Cardrona and Luggate support local needs and are generally managed in association with hall committees supported by the Council.

Aquatic facilities include Alpine Aqualand, Arrowtown Memorial Pool and the Wanaka Community Pool. The Council also supports the operation of the Glenorchy community pool via an annual operating grant.

PUBLIC TOILETS

The Council provides 50 public toilets in order to enhance the public's experience of our outdoor places and to protect the public environment. The goal is to provide clean, accessible and conveniently located toilets.

The introduction of usage counters to new toilet facilities and radio frequency tags for maintenance monitoring has enabled the Council to consistently improve toilet facilities available to the community.

CEMETERIES

This activity assists the community by enabling healthy grieving and memorialisation. There are 12 designated cemeteries under QLDC ownership.There are operating cemeteries at Makarora, Queenstown, Glenorchy, Frankton, Kingston, Cardrona, Wanaka, Lake Hawea, Skippers and Arrowtown.

All cemeteries in the District are of major historical importance, including Skippers and Macetown Cemeteries. Of these only Macetown is 'closed'. A cemetery has been provided at Lower Shotover to meet future demand. Its development will continue dependent on need.

COMMUNITY PROPERTY (HOUSING)

The Council manages and maintains nine, one-bedroom elderly person's flats. It further manages and maintains five residential houses and six residential apartments. Council continues to implement ongoing actions and supports the Queenstown Lakes District Housing Trust in the provision of affordable housing in the District.

WANAKA AIRPORT

Wanaka Airport is located off the Wanaka-Luggate Highway (SH6) approximately 13km to the southeast of Wanaka and 2.5km west of the township of Luggate. The Airport occupies approximately 38ha of land and is managed by the Queenstown Airport Corporation.

The airport has two parallel runways. The main runway is sealed and is 1,200m long and 30m wide. The secondary grass runway is 840m long and 40m wide and is primarily used by smaller and vintage aircraft.

The airport has a number of established commercial and private facilities on leased sites, including a range of aviation maintenance businesses, a skydive facility and a helicopter training establishment.

Wanaka Airport is also the location for the Warbirds Over Wanaka Community Trust tourist attraction, featuring Warbirds aircraft, vintage cars, other museum attractions and a diner-style café.

ABOUT COMMUNITY GRANTS

The Council is involved in this activity as a way of providing financial support to various community groups. Currently the Council funds a total of $679,513 to 31 groups in the region, including 14 Community Associations. A further $105,000 was approved through the consultation process for one-off amounts towards specific projects and activities in 2016/17.

The majority of groups supported are either set up as trusts or registered incorporated societies. These groups applied for and use their grant to cover operational costs such as rent or for specific projects each year ie. track maintenance.

The Council also works to ensure that community groups can access funding available through other agencies and sources.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- The Wanaka Recreation Centre has performed well in its first year of operation, with 24,000 visits including hosting a rotary conference, fashion shows and regular community sporting activity. Final construction for the project was completed this year with the opening of two sportsfields and a multi-sport artificial turf compound.
- Commencement of the Wanaka Aquatic project started June 2016 and is well underway with completion scheduled for May 2018.
- All library members now have the opportunity to use the self-check facilities at our larger branches. Self-check counters are now available in Wanaka, Queenstown and Arrowtown libraries. Library service requirements for Frankton continue to be investigated, with plans for a small pop-up library at the Events Centre underway.
- Community grants continue to be administered through the Council's annual funding structure.
- The Council adopted both the Parks and Open Space Strategy 2017 and the Wanaka Lakefront Development Plan.
- Key Parks & Reserves projects delivered over this financial year; planning for the Queenstown Lakefront playground, enhanced turf at Sir John Davies Oval and sports fields for Wanaka Recreation Centre.
- Continued work with community groups have resulted in new and improved parks facilities.
- A number of new toilets have been planned this year, with funding included in the 17/18 Annual Plan.

HOW MUCH IT COST

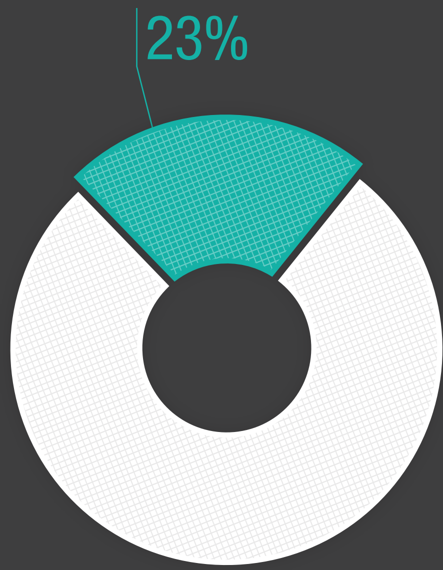
Breakdown of service cost

COMMUNITY	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	1,653	1,733	1,349
Targeted Rates	13,948	15,772	15,772
Subsidies & Grants for Operating expenditure	93	95	2,226
Fees & Charges	3,836	4,028	5,118
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	1,972	2,063	3,335
Total Sources of Operating Funding	**21,502**	**23,691**	**27,800**
Applications of Operating Funding			
Payments to Staff and Suppliers	12,819	13,397	15,628
Finance Costs	1,802	2,315	810
Internal Charges Applied	4,379	4,502	3,944
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**19,002**	**20,214**	**20,382**
Surplus/(Deficit) of Operating Funding	**2,502**	**3,477**	**7,418**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	1,755	1,753	-
Development and Financial Contributions	2,255	1,963	2,754
Increase/(Decrease) in Debt	7,281	8,442	5,280
Gross Proceeds from Sale of Assets	-	-	162
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**11,291**	**12,158**	**8,196**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	5,498	6,020	4,052
- to replace existing assets	1,248	1,205	1,499
- to improve the level of service	9,337	8,456	6,540
Increase/(Decrease) in Reserves	(2,290)	(46)	3,523
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**13,791**	**15,635**	**15,614**
Surplus/(Deficit) of Capital Funding	**(2,502)**	**(3,477)**	**(7,418)**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
Not applicable	The two major projects within Community were the completion of the Wanaka Recreation Centre ($3.3m) and commencement of construction of the Wanaka Aquatic Centre ($3.1m)	Timing of both the Wanaka Aquatic Centre and Recreation Centre has driven this variation.

Summary of internal borrowings				
Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Community	8,307	856	2,283	345

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

Community expenditure of **$20,382,000**

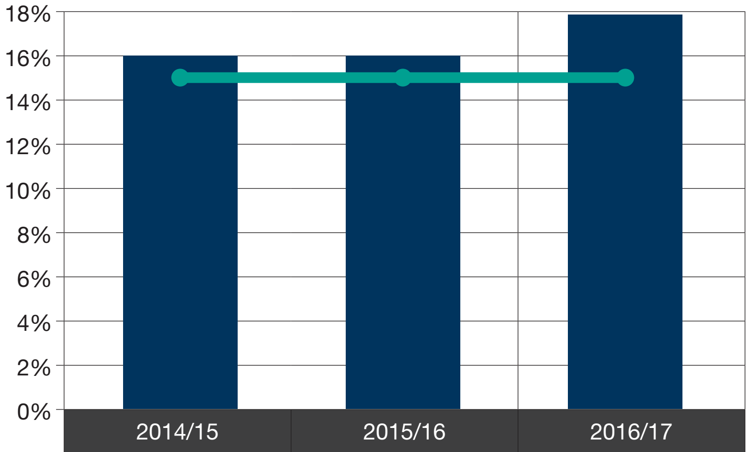
HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

SWIMMING POOLS

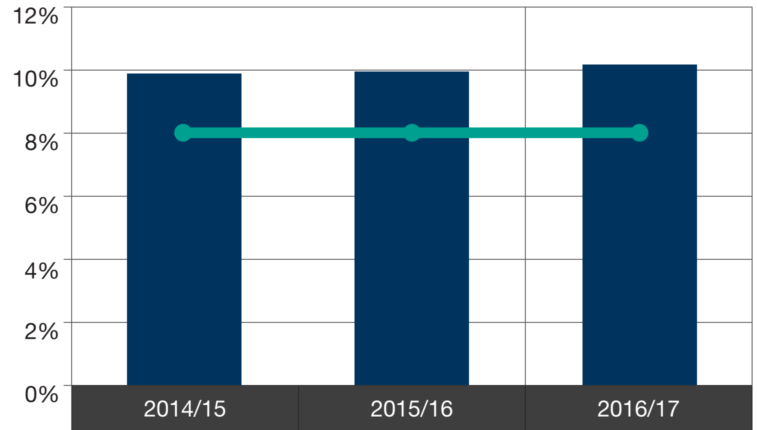
KPI: Percentage of residents who use their local pool at least once a month

ALPINE AQUALAND



	2014/15	2015/16	2016/17
Result	16%	16%	18%
Target	15%	15%	15%

WANAKA POOL



	2014/15	2015/16	2016/17
Result	10%	10%	10%
Target	8%	8%	8%

Targets were met for both Alpine Aqualand and Wanaka Pool this year with both locations demonstrating increased usage year on year. This is due to a range of initiatives introduced in 2015/16, including provision of a wider range of programmes, strong maintenance schedules and a renewed emphasis on creating a positive customer experience. Alpine Aqualand has experienced a higher uptake in the swim school programme, which has also contributed to increased participation.

KPI: Net direct cost per pool admission

Year	Result	Target	Commentary
2014/15	$2.44	<$2.12 or within the top 50% of pools nationally (as measured by Yardstick)	Increases in Alpine Aqualand admissions and the associated income have been offset by increased costs in staff, chemicals, power and lpg. This has lifted the net direct cost per admission from last year, but the result is still well within the target of $2.12.
2015/16	$1.49		
2016/17	$1.61		

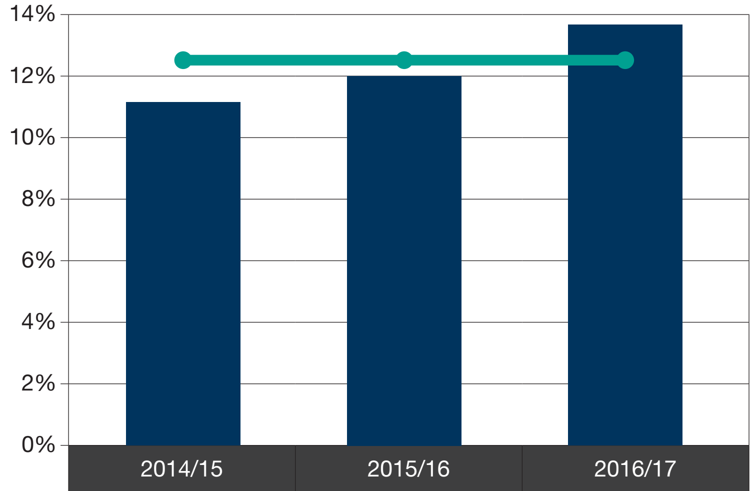
KPI: Number of serious incidents per 10,000 pool admissions (Alpine Aqualand and Wanaka Pool)

Year	Result	Target	Commentary
2014/15	0.11	<0.17 or within the top 25% of pools nationally (as measured by Yardstick)	It is confirmed that there were no serious accidents, defined as incidents requiring medical attention, this year at either Alpine Aqualand or Wanaka Pool.
2015/16	0.10		
2016/17	0.00		

GYM

KPI: Percentage of residents who are gym members (based on the Wakatipu population within the age range of 15-69 years)

RESIDENTS WHO ARE GYM MEMBERS



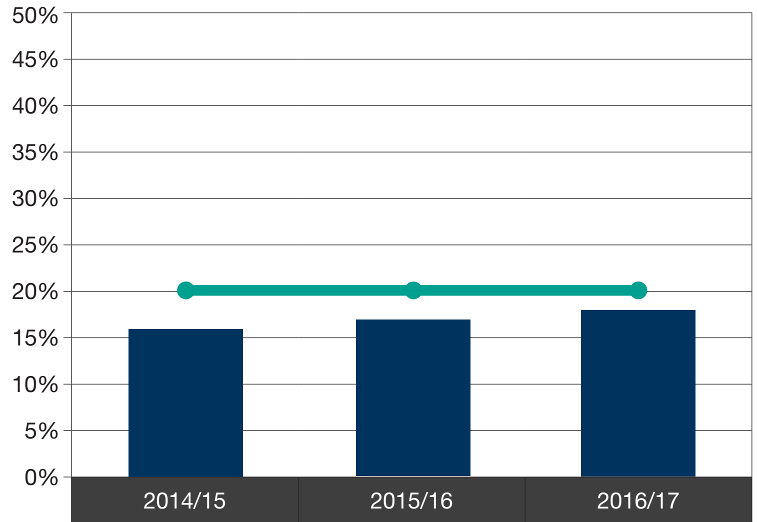
	2014/15	2015/16	2016/17
Result	11%	12%	14%
Target	12.5%	12.5%	12.5%

The Alpine Health and Fitness team have continued to work hard to innovate and deliver a world class service to the community. This is shown by the year on year increase of 17.2%, achievement of the target of 12.5%, all within an environment of increasing competition.

LIBRARIES

KPI: Percentage of residents who are library members and borrow at least once a month

RESIDENTS WHO ARE LIBRARY MEMBERS



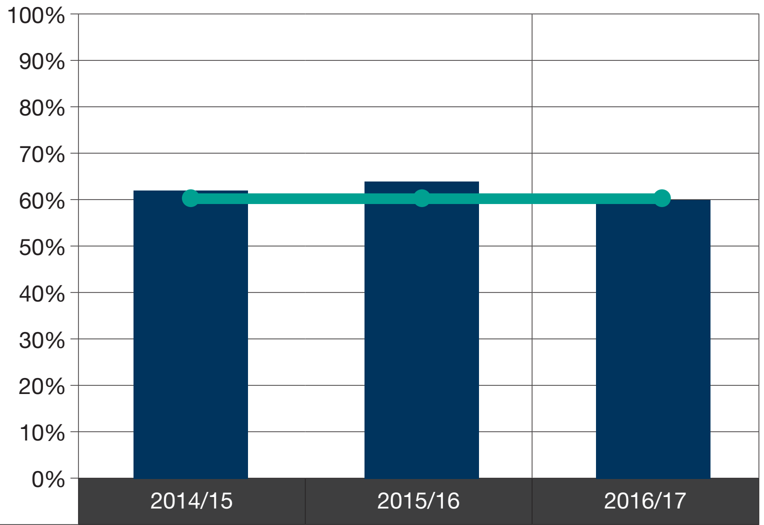
	2014/15	2015/16	2016/17
Result	16%	17%	18%
Target	20%	20%	20%

18% of residents were library members and have borrowed at least once a month (including e-resources). Continued efforts to increase patron numbers by hosting events, improving accessibility and changes to our children's programmes has continued the uptake year on year, but still below our set target.

COMMUNITY FACILITIES AND VENUES

KPI: Average occupancy rate of community facilities

AVERAGE OCCUPANCY RATE



	2014/15	2015/16	2016/17
Result	62%	64%	60%
Target	60%	60%	60%

Patronage of venues has remained either static or increased year on year. The annual decrease is the result of two temporary closures throughout the year. Firstly, the Arrowtown Athenaeum Hall was closed for one month to complete seismic strengthening work and secondly, the John Davies Oval at Frankton was closed for nine months to upgrade the turf and improve the drainage.

PROPERTY

KPI: Variance from budget on property expenditure

Year	Result	Target	Commentary
COMMERCIAL PROPERTY			
2014/15	**Capex:** -158.2% **Opex:** -5.1%	**Capex:** Range of 0% to -10% **Opex:** Range of 0% and -5%	Due to a change in alignment of activities in the 2015/16 year, this KPI information can no longer be collected. This KPI is now being re-developed to align with activities in the new ten year plan for 2018-2028.
2015/16	**Capex:** 90.8% **Opex:** -4.6%		
2016/17	**Capex:** NA **Opex:** NA		
COMMUNITY PROPERTY			
2014/15	**Capex:** 31.6% **Opex:** 3.9%	**Capex:** Range of 0% to -10% **Opex:** Range of 0% and -5%	Due to a change in alignment of activities in the 2015/16 year, this KPI information can no longer be collected. This KPI is now being re-developed to align with activities in the new ten year plan for 2018-2028.
2015/16	**Capex:** 10.7% **Opex:** 11.5%		
2016/17	**Capex:** NA **Opex:** NA		

PARKS AND TRAILS

KPI: Average daily use of trails

Trail	Average number of counts
Frankton Track	676.28
Old Lower Shotover River Track	308.73
Kelvin Peninsula New	214.89
Riverside Road	131.01
Swain Bridge	158.15
Billies Bridge	92.93
Morven Ferry Road	126.05
Speargrass Flat Road	98.53

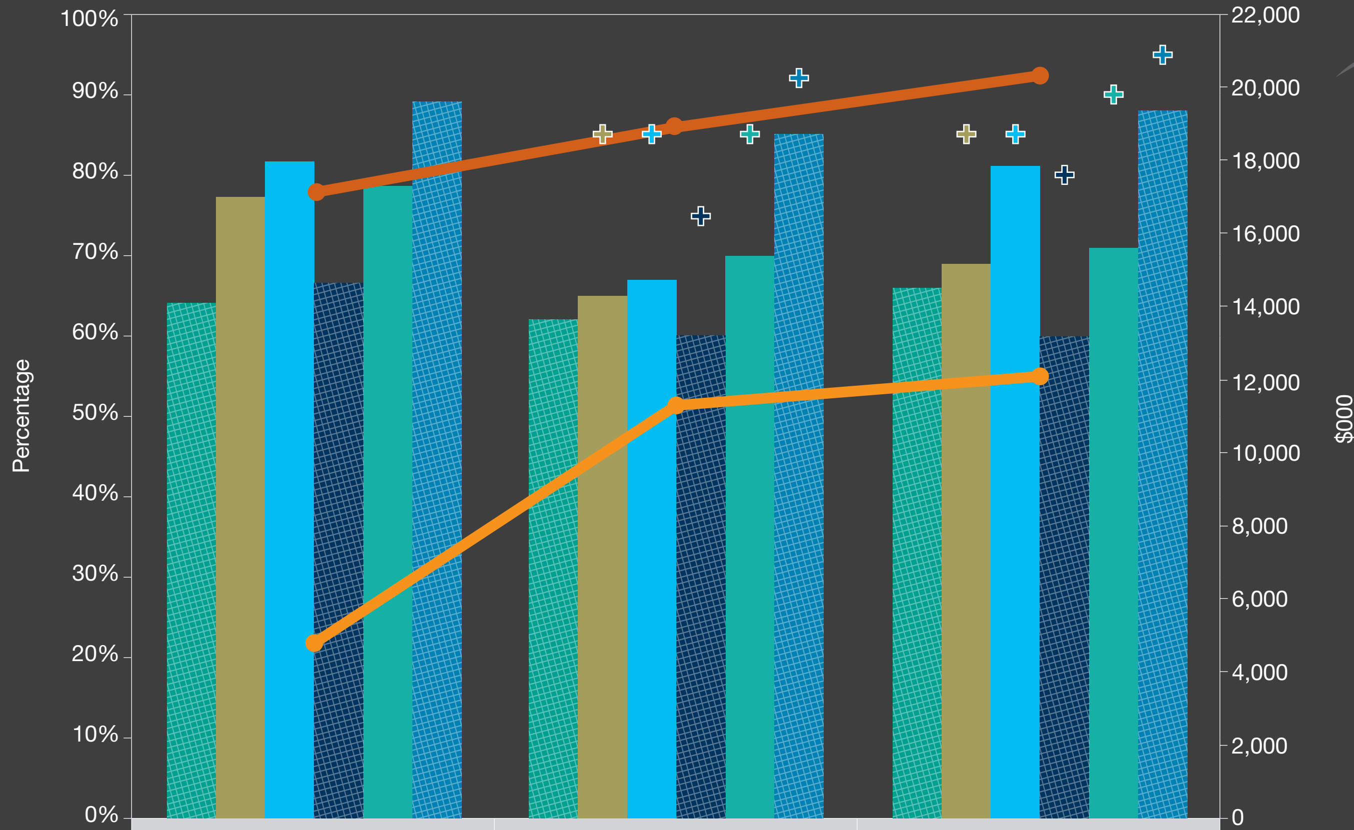
Trail data shows seasonal use and is not associated with a specific target. Trail usage has increased 5% in total compared to the total counts received for last year. This reflects the passion and enthusiasm residents and visitors alike have for the trails across the District.

KPI: Cost per hectare to maintain and manage the district's parks and reserves

Year	Result	Target	Commentary
2014/15	$2,421.70	<$1,967 per hectare	Due to growth in the district over recent years and the increased use of parks and reserves, the cost of maintenance is higher than anticipated. As contracts will be reviewed in 2017/18, efforts will be made to reduce costs, maximise efficiencies, achieve the target set and obtain best value.
2015/16	$2,363.94		
2016/17	$2,428.91	<$1,960 per hectare	

OVERALL PERFORMANCE OF COMMUNITY SERVICES AND FACILITIES

Impact of expenditure on service performance



	2014/15	2015/16	2016/17
Satisfaction with swimming pools	64%	62%	66%
Target (as shown in 10YP) swimming pools	-	Not specified	Not specified
Satisfaction with community halls	77%	65%	69%
Target (as shown in 10YP) community halls	-	85%	85%
Satisfaction with libraries	82%	67%	81%
Target (as shown in 10YP) libraries	-	85%	85%
Satisfaction with toilets	67%	60%	60%
Target (as shown in 10YP) toilets	-	75%	80%
Satisfaction with playgrounds	79%	70%	71%
Target (as shown in 10YP) playgrounds	-	85%	90%
Satisfaction with trails	89%	85%	88%
Target (as shown in 10YP) trails	-	92%	95%
Opex	17,120	18,906	20,382
Capex	4,807	12,386	12,091

There has been a marked improvement in satisfaction across all community services and facilities, but they have still not achieved the target set. Satisfaction with public toilets has remained consistent with last year and this will be due to the additional pressures placed on public toilets as a result of growth in the District.

Capital expenditure remains high this year, due to the completion of the Recreation Centre project and initiation of the Aquatic Centre in Wanaka. The increase in operational expenditure is also due to the opening of the new Wanaka Recreation Centre.

Please refer to p27 for further detail about the Resident and Ratepayer Survey.

REGULATORY FUNCTIONS AND SERVICES

REGULATORY REQUIREMENTS AND SERVICES UNDERTAKEN BY THE COUNCIL:

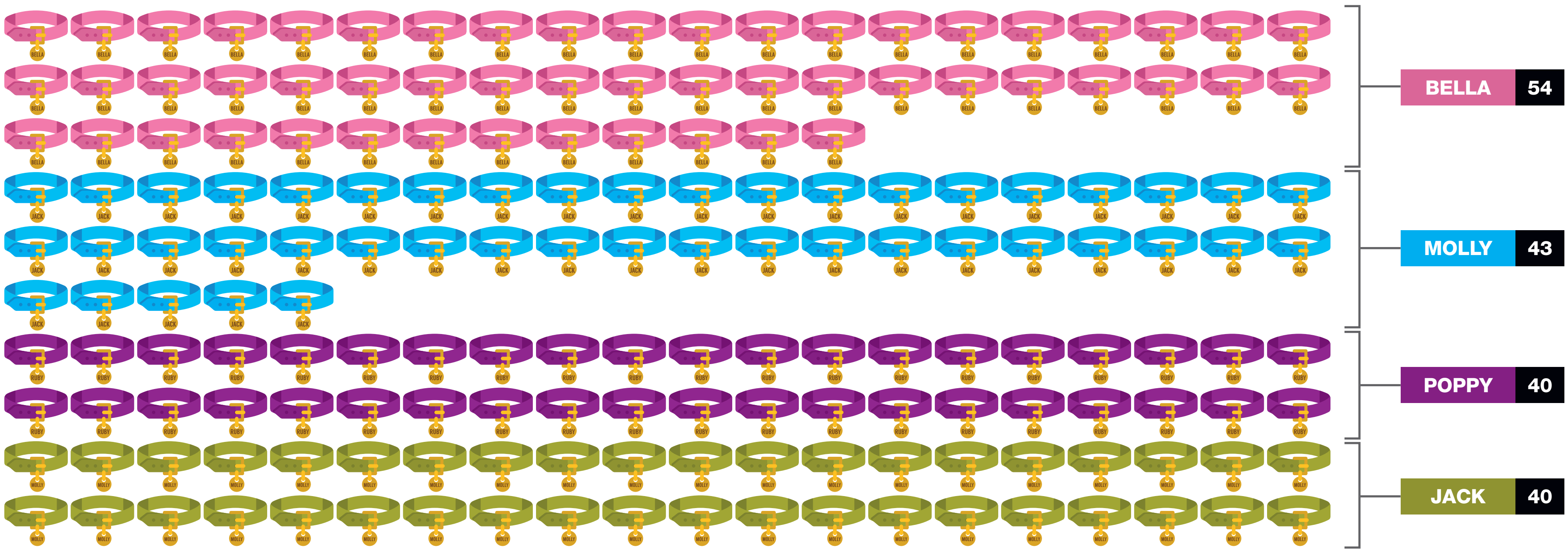
- encourage voluntary compliance;
- are user-friendly;
- protect the interests of the District; and
- are cost-effective and achieve the regulatory objectives.

WHY SHOULD YOU CARE?

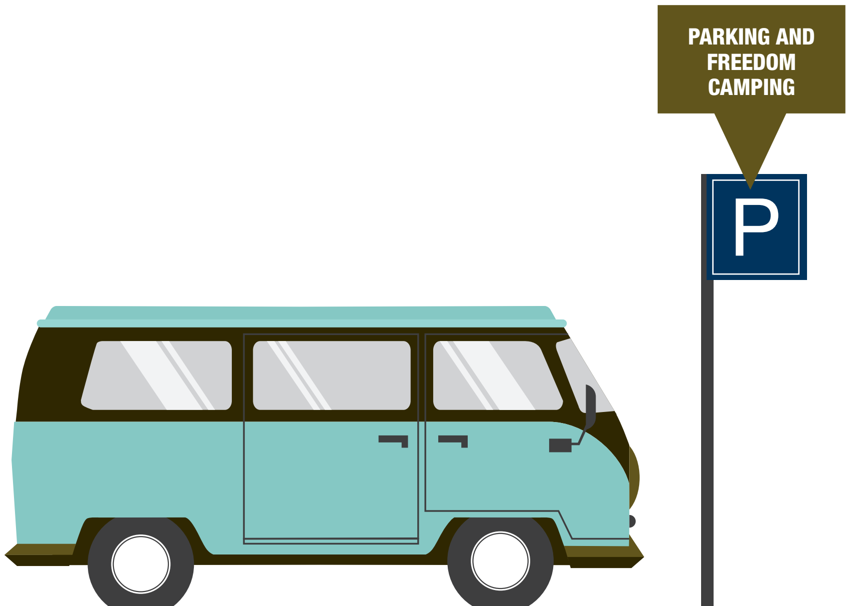
WE HAVE

4541

REGISTERED DOGS. THE MOST COMMON DOG'S NAME IS BELLA – WE HAVE 54 OF THEM REGISTERED, CLOSELY FOLLOWED BY MOLLY AT 43 AND JACK AND POPPY AT 40 EACH



ABOUT REGULATORY FUNCTIONS AND SERVICES



WHAT WE DELIVER

BUILDING CONSENTS

QLDC provides the necessary controls relating to building work and use of buildings, and ensuring buildings which are constructed are safe, sanitary and have adequate means of escape from fire. This activity primarily relates to the administration of the Building Act 2004 and Regulations. Activities include receiving, considering and (where appropriate) issuing building consents within the prescribed time limits, carrying out inspections of building work in progress and certifying buildings on completion. The Council works with the other design professionals, builders and owners to encourage them to provide their certification and documentation for their responsibilities. Other activities undertaken include issuing Project Information Memoranda (PIMs), Land Information Memoranda (LIMs), Compliance Schedules and receiving Building Warrants of Fitness from building owners on an annual basis.

ENFORCEMENT

Parking and Freedom Camping

Patrols are undertaken seven days a week across the District to ensure compliance with national legislation and local regulation.

Animal Control

QLDC provides enforcement of the Dog Control Act 1996 and Council Bylaws relating to dog control. QLDC also enforce of the Animal Welfare Act 1999 as it relates to dogs, being maintenance of public safety, reduction of nuisances and protection of animal welfare.

Alcohol

QLDC provides enforcement and regular monitoring of licensed premises and events to ensure compliance with the Sale and Supply of Alcohol Act 2012.

Noise

QLDC provides a 24/7 noise complaint service in response to antisocial behaviour regarding noise. The majority of complaints relate to stereo noise and associated people noise. Whilst people noise is a policing matter, QLDC works collaboratively in these situations and will seize stereos, with police assistance, to abate the noise where necessary.

Littering

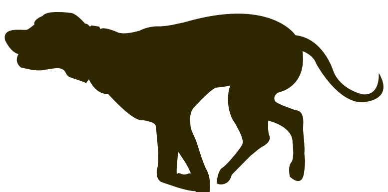
QLDC works with the community to reduce the level of littering and enforces the Litter Act 1979.

Waterways

The Council provides a range of recreational boating facilities so the community can safely utilise waterways for recreation and commercial activity. This includes a harbourmaster to administer bylaws and regulations and promote water safety.

QLDC provides a range of boat ramps, jetties and moorings to facilitate the use of waterways and maintains a register of waterway structures and foreshore licences. This includes the maintenance and development of Council owned waterways facilities including ramps and jetties. The Council maintains boat ramps and associated structures at Glenorchy, Sunshine Bay, St Omer Park, Bay View (Kelvin Peninsula), Frankton Marina, Kingston, Hawea foreshore and Roys Bay (Wanaka).

A programme of regular inspections is undertaken by qualified personnel to ensure waterway facilities are safe, that routine maintenance is being undertaken and that capital repairs are forecast and planned well ahead of time. The Council has also developed a Jetties and Moorings Policy which gives guidance to those who already own a jetty or mooring and those wishing to do so, on Frankton Arm, Queenstown Bay and Kingston Arm. It allows the Council to fully consider the cumulative effects of new applications and it sets out the issues of public access.



The purpose of this function is to control, by way of inspection, enforcement and promotion, the safe use of waterways and safety in waterways based activities in the District. It includes the provision of Harbourmaster services, which is contracted to Southern Lakes Monitoring Services. Harbourmaster services are provided 365 days a year.

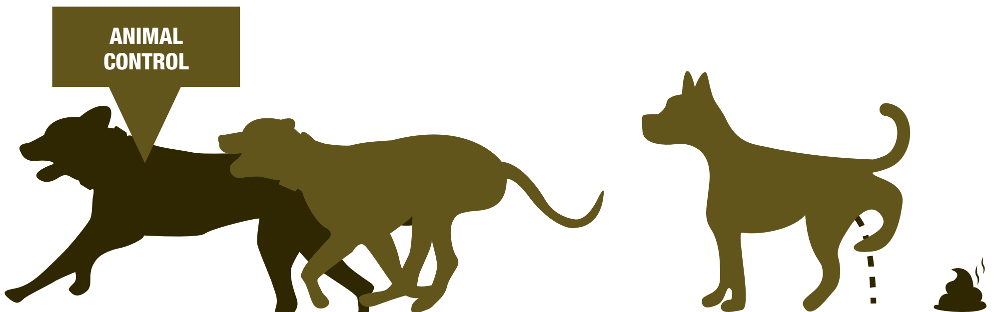
Environmental Health

Our Environmental Health Team's regulatory role is to promote, protect and improve the health of our community, through the application of various legislative requirements which include:

- food businesses;
- food premises grading;
- food safety training;
- suspected food poisoning;
- food stall permits;
- hairdressers;
- noise control; and
- viewing the location of Public Access Automated External Defibrillators (AEDs).

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- In response to the community, commitment was given to developing a consistent approach to freedom camping infringements in the District. Clamping was introduced in 2015 and has proved to be a compelling deterrent.
- The Regulatory team has responded to the need for increased monitoring and enforcement for parking and animal control. The team has expanded in line with increasing numbers of Requests for Service (RFS) and with a focus on Key Performance Indicators (KPIs).
- Dog registration has been streamlined, with the launch of a new online payment facility in July 2016.
- A review of user charges under the new Food Safety Act 2014 was completed this year. The purpose of this review was to ensure an equitable fee was fixed to reflect the work undertaken and promote improved performance.
- There is a continued focus on monitoring and enforcing the requirements of the Resource Management Act, due to the increased levels of construction and development in the District.
- International Accreditation New Zealand (IANZ) is the statutory body that accredits Building Control Authorities. Following a mandatory bi-annual assessment by IANZ in April 2016, ten corrective actions were issued and a special re-assessment was required in October 2016. At this re-assessment the Council demonstrated significant progress to improve its performance and had resolved the corrective actions, however three more corrective actions were identified at this time. These have now been resolved and strong progress has been made in 2017 to ensure the Building Control Authority continues to improve its performance and meet its statutory timeframes for issuing building consents. Reassessment by IANZ is due in October 2017.



HOW MUCH IT COST

Breakdown of service cost

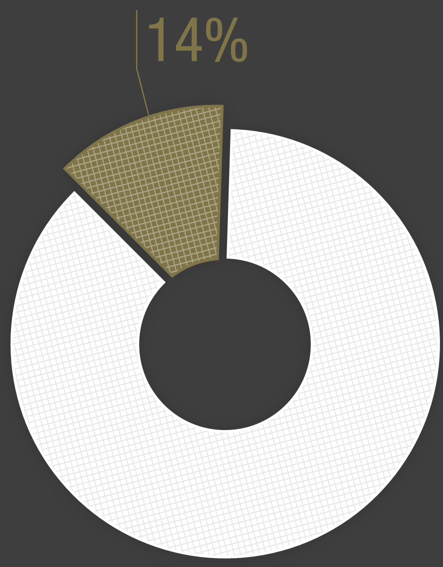
REGULATORY	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	1,334	1,233	1,233
Subsidies & Grants for Operating expenditure	-	-	-
Fees & Charges	3,193	3,327	6,614
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	1,198	1,249	2,848
Total Sources of Operating Funding	**5,725**	**5,809**	**10,695**
Applications of Operating Funding			
Payments to Staff and Suppliers	4,239	4,277	9,602
Finance Costs	7	6	3
Internal Charges Applied	1,534	1,588	2,463
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**5,780**	**5,871**	**12,068**
Surplus/(Deficit) of Operating Funding	**(55)**	**(62)**	**(1,373)**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	-	-	-
Increase/(Decrease) in Debt	(11)	(11)	39
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**(11)**	**(11)**	**39**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	2	-	-
- to replace existing assets	12	10	-
- to improve the level of service	15	-	49
Increase/(Decrease) in Reserves	(95)	(83)	(1,383)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**(66)**	**(73)**	**(1,334)**
Surplus/(Deficit) of Capital Funding	**55**	**62**	**1,373**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
The majority of this increased cost relates to the defence and resolution of legal claims ($4.7m)	Not applicable	Not applicable

Summary of internal borrowings

Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Regulatory	38	4	15	1

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

Regulatory expenditure of **$12,068,000**

HOW WE PERFORMED

HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Percentage of building consents issued within statutory timeframe

Year	Result	Target	Commentary
2014/15	96%	100%	2016/17 has remained challenging with the number of building consent applications being received increasing by a further 2% (20% in 2015/16). All corrective actions with IANZ have now been closed and strong progress in process improvement has been made. This will improve our performance and meeting of our statutory timeframe targets.
2015/16	73%		
2016/17	81%		

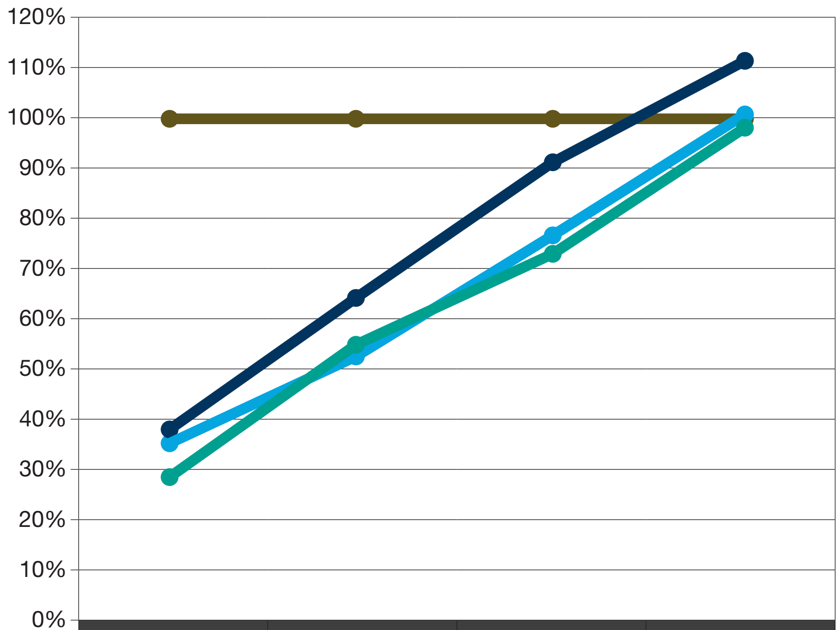
KPI: Percentage of urgent requests responded to within two hours a) animal control b) excessive noise c) water safety

Year	Result	Target	Commentary
ANIMAL CONTROL			
2014/15	100%	100%	Urgent animal control requests are consistently responded to within two hours and the target has almost been reached. Renewed focus on the 100% target remains in place for 2017/18.
2015/16	99%		
2016/17	97%		
EXCESSIVE NOISE			
2014/15	100%	100%	Noise requests are no longer assigned the urgent category and as such are not reportable within this measure.
2015/16	NA		
2016/17	NA		
WATER SAFETY			
2014/15	100%	100%	Urgent safety matters remain the priority for waterways safety.
2015/16	100%		
2016/17	100%		

KPI: Percentage of very high and high risk liquor premises inspected at least quarterly

Year	Result	Target	Commentary
2014/15	130%	100%	All high and very high risk liquor premises have been inspected at least quarterly this year.
2015/16	100%		
2016/17	100%		

KPI: Percentage of registered food premises that are grading inspected at least annually



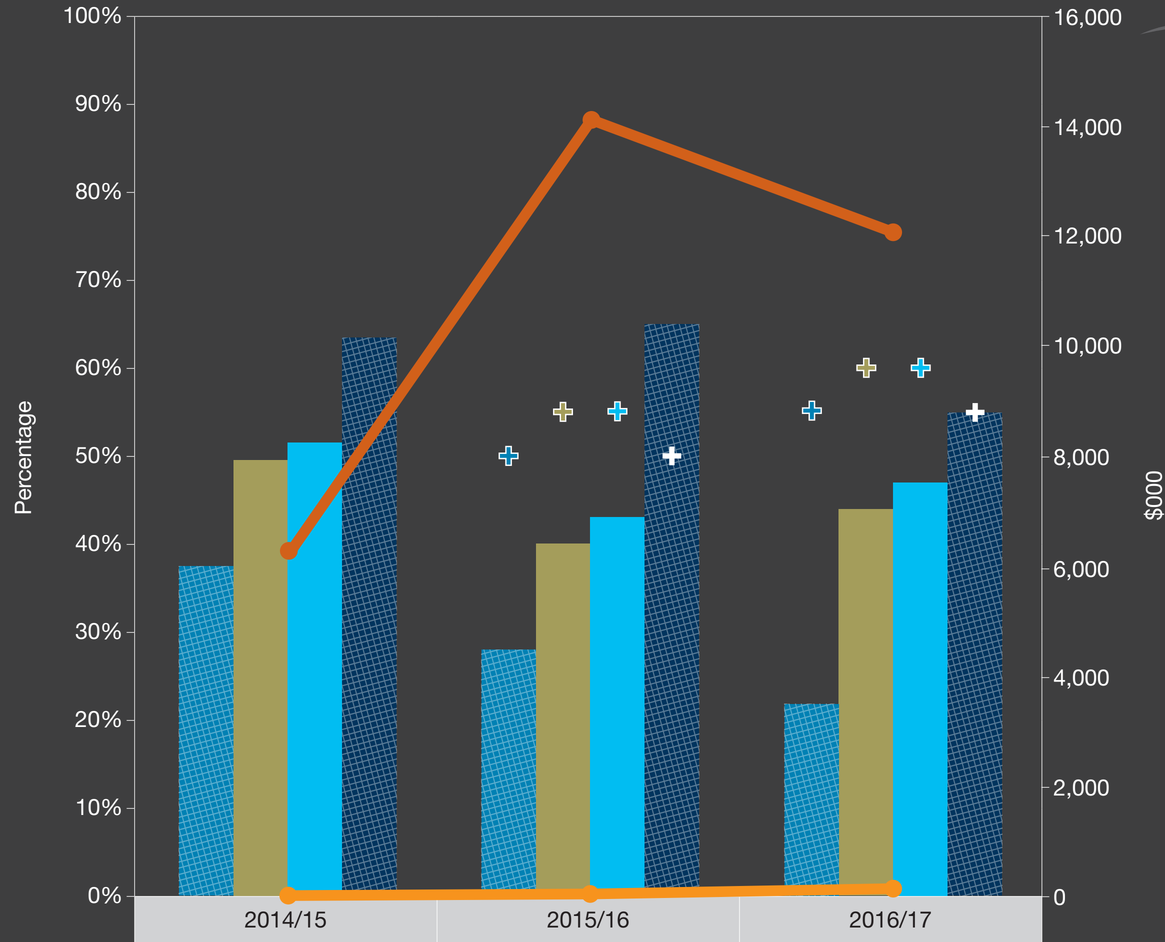
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2014/15	35%	52%	76%	102%
2015/16	37%	63%	91%	111%
2016/17	30%	54%	74%	99%
Target	100%	100%	100%	100%

The number of audits/inspections is slightly below the target set. This is partly due to business registrations with the Council including businesses that are not inspected or audited by the Council (National Programme). The target was further affected by a percentage of businesses registering, then closing before an inspection or audit could be undertaken or alternatively registering and not opening.

The implementation of the Food Act 2014 has changed the frequency of audits and inspections, which are now subject to the outcome of the audit/inspection. This has required secondary audits/inspections for a number of businesses, and in some cases a third following a re-grading request from the customer. This increased frequency and complexity has changed the workload for the Environmental Health team.

OVERALL PERFORMANCE OF REGULATORY SERVICES

Impact of expenditure on service performance



	2014/15	2015/16	2016/17
Satisfaction with freedom camping	37%	28%	22%
Target (as shown in 10YP) freedom camping	-	50%	55%
Satisfaction with noise complaints	50%	40%	44%
Target (as shown in 10YP) noise complaints	-	55%	60%
Satisfaction with dog control	52%	43%	47%
Target (as shown in 10YP) dog control	-	55%	60%
Satisfaction with harbourmaster	64%	65%	55%
Target (as shown in 10YP) harbourmaster	-	50%	55%
Opex	6,296	14,255	12,068
Capex	1	26	49

Satisfaction with the handling of dog and noise complaints improved this year, but there was a reduction in satisfaction with freedom camping and harbourmaster services. In both cases, there was no notable increase in the number of respondents claiming to be dissatisfied, but more respondents claimed to be neutral to the service. This translated to a decrease in satisfaction. Harbourmaster services still achieved the target set, but focus is required in all other areas to achieve the target set in the Ten Year Plan.

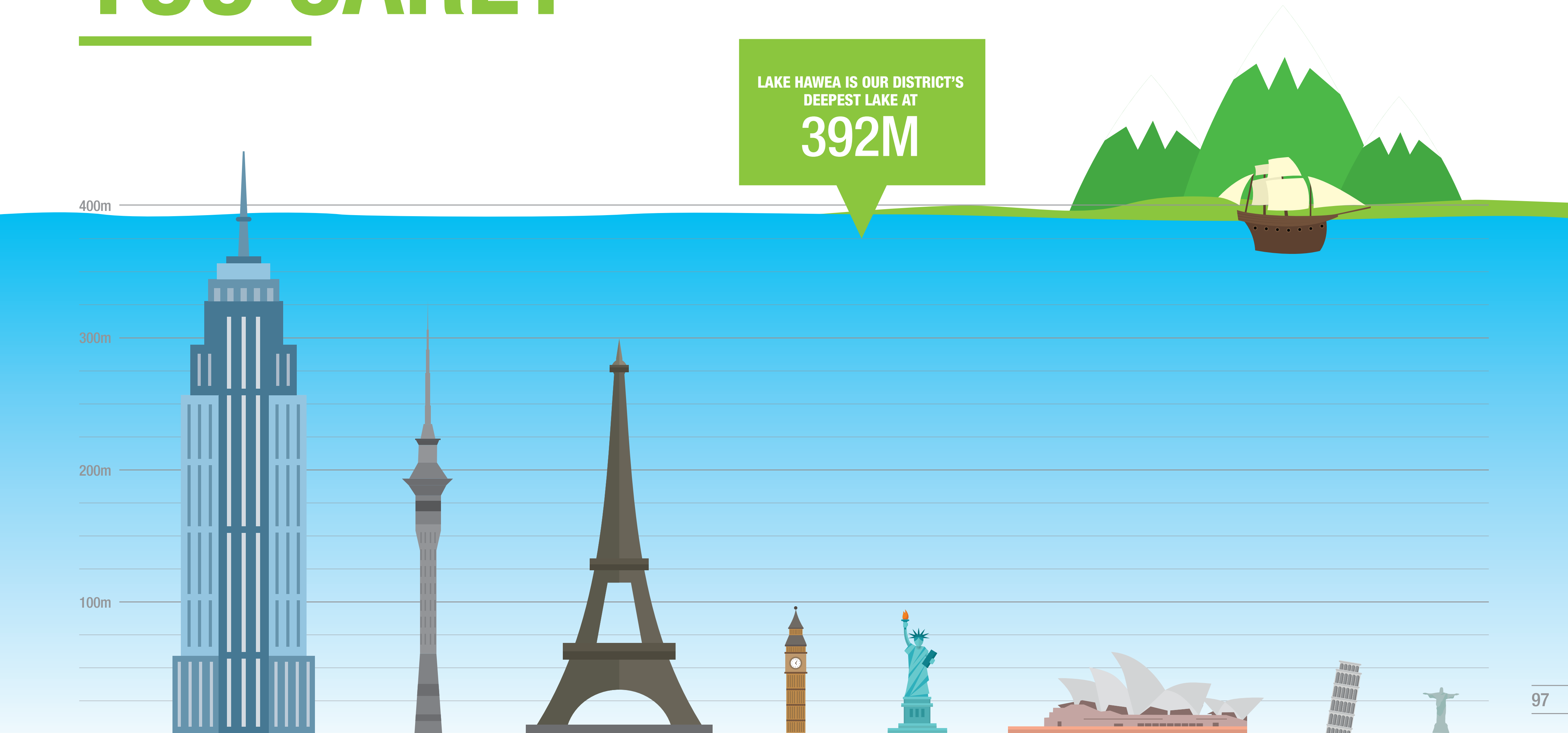
Operational expenditure increases relate to the defence and resolution of legal claims.

Please refer to p27 for further detail about the Resident and Ratepayer Survey.

ENVIRONMENT

The District's natural and built environment is high quality and makes the District a place of choice to live, work and visit.

WHY SHOULD YOU CARE?



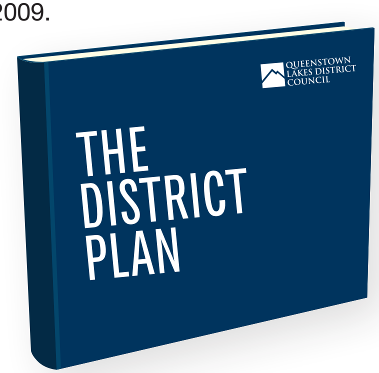
ABOUT ENVIRONMENT

WHAT WE DELIVER

DISTRICT PLAN

The District Plan explains how Council will manage the environment, in accordance with the requirements of the Resource Management Act. It sets out what activities you can do as of right, what activities you need resource consent for, and how certain activities may be carried out. It also sets out a strategic direction for the District in terms of where and how development should occur.

The Queenstown Lakes District Plan was made fully operative on 10 December 2009.



RESOURCE CONSENTS

A Resource Consent is a written approval from the Council to undertake an activity that is not permitted as of right in the District Plan (a permitted activity). The process for granting a Resource Consent is governed by the Resource Management Act 1991 and the District Plan. The types of Resource Consent issued by QLDC include:

- Land use consents - this term applies to most resource consents and includes things like constructing a building, undertaking an activity, running an event, carrying out earthworks, clearance of large areas of vegetation, and commercial activities such as jet boat operating, fishing guiding, and kayak hire/guiding etc.
- Subdivision consents - subdividing land to create one or more additional lots or Unit Titles or altering a boundary.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- The first stage of the District Plan review was notified in 2015. Hearings continued this year with the strategic direction and urban development chapters, landscapes, rural, town centres, residential, and business zones. The final hearings for stage one will be concluded in the new financial year. The second stage of the review will be open for public submissions in late 2017, early 2018.
- Considerable work has been undertaken to simplify and streamline the resource consent processing function. A ‘fast-tracked’ consent process has been implemented for basic applications and a formal pre-application meeting process for more complex applications. Both of these initiatives have been key to improving efficiencies.
- Five resource consents were granted this financial year for special housing area developments under the Housing Accords and Special Housing Areas Act 2013.

HOW MUCH IT COST

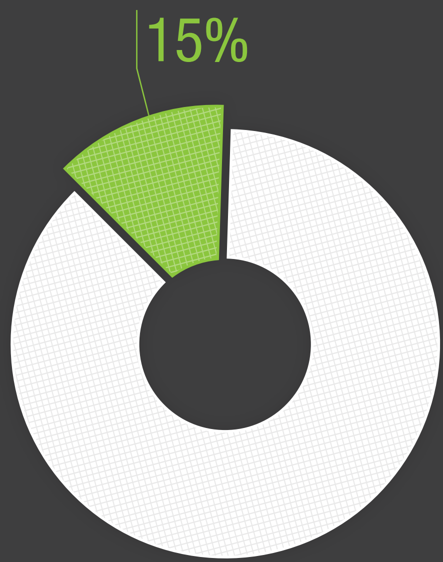
Breakdown of service cost

ENVIRONMENTAL MANAGEMENT	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	-	-	-
Targeted Rates	3,841	3,688	3,562
Subsidies & Grants for Operating expenditure	-	-	1,026
Fees & Charges	3,171	3,137	5,664
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	500	261	119
Total Sources of Operating Funding	**7,512**	**7,086**	**10,371**
Applications of Operating Funding			
Payments to Staff and Suppliers	5,698	5,308	11,494
Finance Costs	283	210	136
Internal Charges Applied	1,531	1,568	1,677
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**7,512**	**7,086**	**13,307**
Surplus/(Deficit) of Operating Funding	**-**	**-**	**(2,936)**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	-	-	-
Increase/(Decrease) in Debt	(904)	(1,551)	1,219
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**(904)**	**(1,551)**	**1,219**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	-	-	-
- to replace existing assets	-	-	-
- to improve the level of service	-	-	-
Increase/(Decrease) in Reserves	(904)	(1,551)	(1,717)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**(904)**	**(1,551)**	**(1,717)**
Surplus/(Deficit) of Capital Funding	**-**	**-**	**2,936**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
Two factors are driving the increased cost in services. Firstly, the volume of resource consents have driven costs above budget by $2.4m, these costs have been offset by increased income. The second factor is the cost and timing of the District Plan review totalling $3.8m above budget.	Not applicable	Not applicable

Summary of internal borrowings				
Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Environment	1,483	419	748	58

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

Environment expenditure of **$13,307,000**

HOW WE PERFORMED

HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Percentage of total resource consents made by the owner as applicant

Year	Result	Target	Commentary
2014/15	31%	40%	The target of 45% was not met, the reason for this being the reform of the Resource Management Act in 2015. This reform increased the level of detail required in a resource consent application to make it lawfully 'complete'. This additional level of detail has dissuaded many owners from applying themselves and instead utilising professionals to prepare their applications.
2015/16	22%	40%	
2016/17	20%	45%	

KPI: Median charge per resource consent (including levied and incurred cost) by a) notified and b) non-notified

Year	Result	Target	Commentary
A) NOTIFIED			Non-notified resource consent charges have achieved the target set, but notified resource consents have not. This year the complexity of notified consents increased, resulting in a greater median processing cost.
2014/15	$16,000	<$12,000	
2015/16	$19,633		
2016/17	$22,994	<$15,000	
B) NON-NOTIFIED			
2014/15	$1,279	<$1,500	
2015/16	$1,428		
2016/17	$1,802	<$1,875	

KPI: Percentage of resource consents processed within statutory timeframes

Year	Result	Target	Commentary
2014/15	100%	100%	Whilst the target of 100% was not achieved this year, it should be noted that there was a 36% increase last year and a further 2% this year for number of applications received. Along with this increasing volume the level of complexity of these applications has also increased. Budget for additional resourcing has been addressed in the 2017/18 financial year.
2015/16	94%		
2016/17	88%		

KPI: Percentage of applicants who are satisfied with the consenting process

This is not reported due to the low response rate to the survey sent with each resource consent decision. User surveys are currently under review.

KPI: Percentage of ratepayers who are satisfied with the steps Council is taking to protect the environment

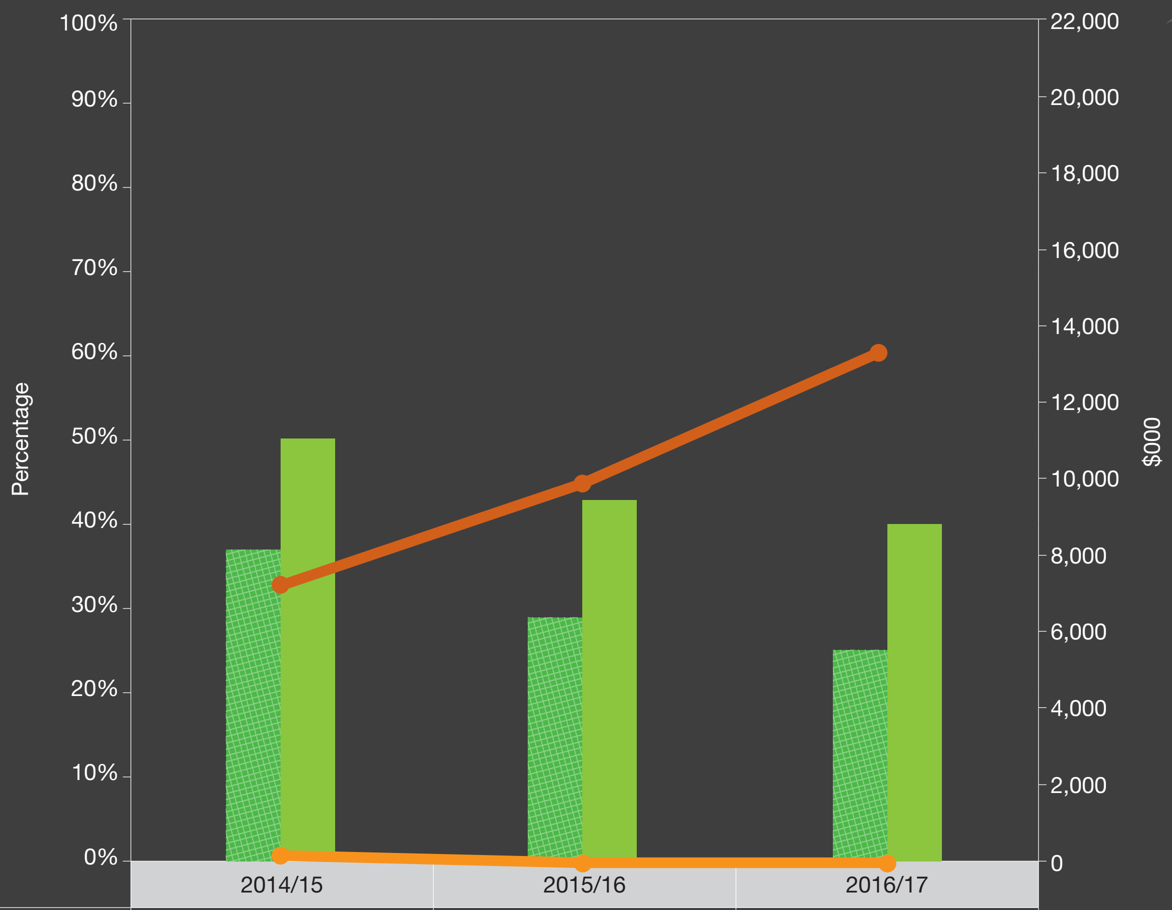
Year	Result	Target	Commentary
2014/15	37%	Target not set	42% of respondents are satisfied with the steps Council is taking to protect the environment. A further 29% give this a neutral rating and 29% are unsatisfied with the steps being taken. Optional comments pertaining to this question revolve around waste and rubbish (19%), water (12%), and growth and development (12%). Notably, 12% of these respondents mention they think Council are “doing OK” at protecting the environment and a further 8% don’t know what they are doing to protect the environment.
2015/16	Not compiled	50%	
2016/17	42%	55%	

KPI: Percentage of pollution related Requests for Service (RFS) resolved within specified timeframes

Year	Result	Target	Commentary
2014/15	95%	100%	This year, 81% of pollution-related RFS were resolved within specified timeframes. Of the 50 RFS that were received, nine ran overdue owing to specific circumstances and requirements. The aspirational target of 100% continues to be a focus for 2017/18.
2015/16	87%		
2016/17	81%		

OVERALL PERFORMANCE OF ENVIRONMENT

Impact of expenditure on service performance



	2014/15	2015/16	2016/17
Satisfaction with resource consents	37%	29%	25%
Satisfaction with LIM reports	50%	43%	40%
Opex	7,071	9,923	13,307
Capex	1	0	0

Satisfaction with resource consent and LIM report provision has continued to reduce this year, as a result of the pressures and challenges of growth in the District. Applications have continued to increase and additional resourcing has been required. The cost of this has been offset by the increased revenue from applications.

Operational expenditure (opex) has increased due to the District Plan review and an increase in resource consent applications. Stage one hearings for the District Plan review continued throughout 2016/17 and preparation has commenced for the notification of stage two.

ECONOMY

The District has a resilient and diverse economy.

WHY SHOULD YOU CARE?

A RECORD

1.89M

PASSENGERS TRAVELLED THROUGH QUEENSTOWN AIRPORT LAST YEAR

THIS IS A

14.6%

INCREASE ON THE PREVIOUS YEAR

Source: Queenstown Airport Annual Profile 2017.

ABOUT ECONOMY

WHAT WE DELIVER

TOURISM PROMOTION

The Council actively encourages tourist operations that not only share our natural environment with visitors from around the globe, but also treat it with the respect and care it deserves.

The Council supports Destination Queenstown, Lake Wanaka Tourism and the Arrowtown Promotion Board through a mixture of levies and rates. The Council collects levies from local businesses on behalf of each of these Regional Tourism Organisations (RTOs), and also contributes 5% of their total funding by way of rates, so all ratepayers contribute towards the international promotion of our district.

ECONOMIC DEVELOPMENT

QLDC's Economic Development Strategy focusses on diversifying and future-proofing our economy, whilst enhancing the quality of our natural, business and living environments. It aims to achieve a higher standard of living and quality of life for all residents and requires participation from a broad range of stakeholders and community groups.

EVENTS STRATEGY

The Council has committed to provide significant investment to support both commercial and community events in the District. QLDC's vision of this strategy is to promote and support a balanced portfolio of cultural, artistic and sports events that meet community objectives for the District as a whole in respect of recreational activities, community infrastructure and economic growth.

FILM

Regional Film Offices (RFOs) are what are referred to internationally as 'film offices' or 'film commissions'. Broadly speaking, they carry out activities alongside and in partnership with other stakeholders to stimulate economic growth for their region through screen production attraction and marketing, sector development initiatives, policy development, facilitation and permitting. RFOs successfully facilitate relationships between the screen sector, government, community and others impacted or benefitted by its activity.

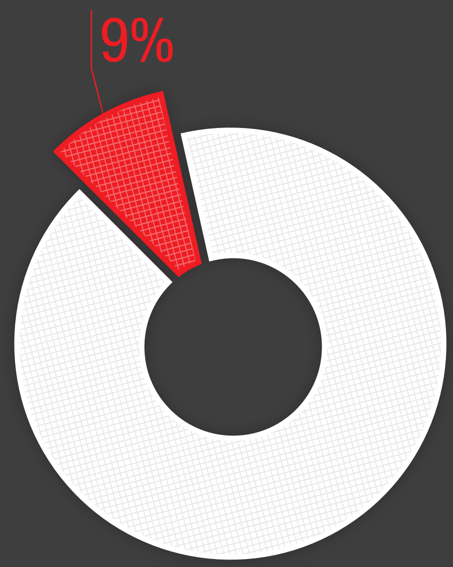
COMMERCIAL PROPERTY (INCLUDING CAMPGROUNDS)

The Council administers some recreation reserve land set aside for camping grounds. There are eight Council owned public camping grounds and holiday parks across the District which provide accommodation for holidaymakers. This type of quality short-term camping accommodation is available to support the District's economy and growth. All of the premises are managed for the Council by private operators under various commercial lease arrangements.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- Whilst the 10 Year Plan did not include major projects for economic development activities specifically, a workshop was held in 2016/17 to revisit the Economic Development Strategy. It was agreed that the Strategy was robust and that it would be delivered on in 2017/18 by a newly appointed Economic Development Manager. It was agreed that an economic development contestable fund would also be established for 2017/18.
- QLDC has continued to operate an Events Office that funds and assists events in line with the Events strategy. $583,500 was allocated through the 2016/17 funding round to 17 events across the district. The Events Strategy is scheduled for review in 2018.
- Film Otago Southland continues to build a strong reputation in the industry and in 2016/17 reported an increase in filming days of 9%. Its role is to promote the district, negotiate permissions, protect the unique environment, generate local talent, connect local suppliers and advocate for the District on the national and international stage.
- The economic focus of the Film Office is to:
  - > Increase return on investment – in a desirable, beneficial way
  - > Generate complementary collaboration between the film industry, Councils and Tourism
  - > Provide employment options and opportunities
  - > Retain control of film production activity and minimise impact on the community and the environment

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$86,496,000** (excluding depreciation)

Economy expenditure of **$7,567,000**

HOW MUCH IT COST

Breakdown of service cost

ECONOMY	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	242	599	466
Targeted Rates	5,130	6,683	5,317
Subsidies & Grants for Operating expenditure	100	104	47
Fees & Charges	-	-	2,961
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	2,561	1,868	453
Total Sources of Operating Funding	**8,033**	**9,254**	**9,244**
Applications of Operating Funding			
Payments to Staff and Suppliers	6,403	6,372	6,624
Finance Costs	773	1,538	431
Internal Charges Applied	294	300	512
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**7,470**	**8,210**	**7,567**
Surplus/(Deficit) of Operating Funding	**563**	**1,044**	**1,677**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	-	-	-
Increase/(Decrease) in Debt	1,345	24,139	(1,445)
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**1,345**	**24,139**	**(1,445)**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	1,123	11,913	5
- to replace existing assets	153	118	26
- to improve the level of service	1,618	14,166	76
Increase/(Decrease) in Reserves	(986)	(1,014)	125
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**1,908**	**25,183**	**232**
Surplus/(Deficit) of Capital Funding	**(563)**	**(1,044)**	**(1,677)**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
The reduction in cost of services against LTP is due to the deferral of the Convention Centre.	Not applicable	The reduction in capital expenditure against LTP is due to the deferral of the Convention Centre.

Summary of internal borrowings				
Activity	30 June 2017 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Economy	3,265	405	15	183

HOW WE PERFORMED

HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Percentage of commercial ratepayers satisfied with how the tourism promotion rate is being used to market the district

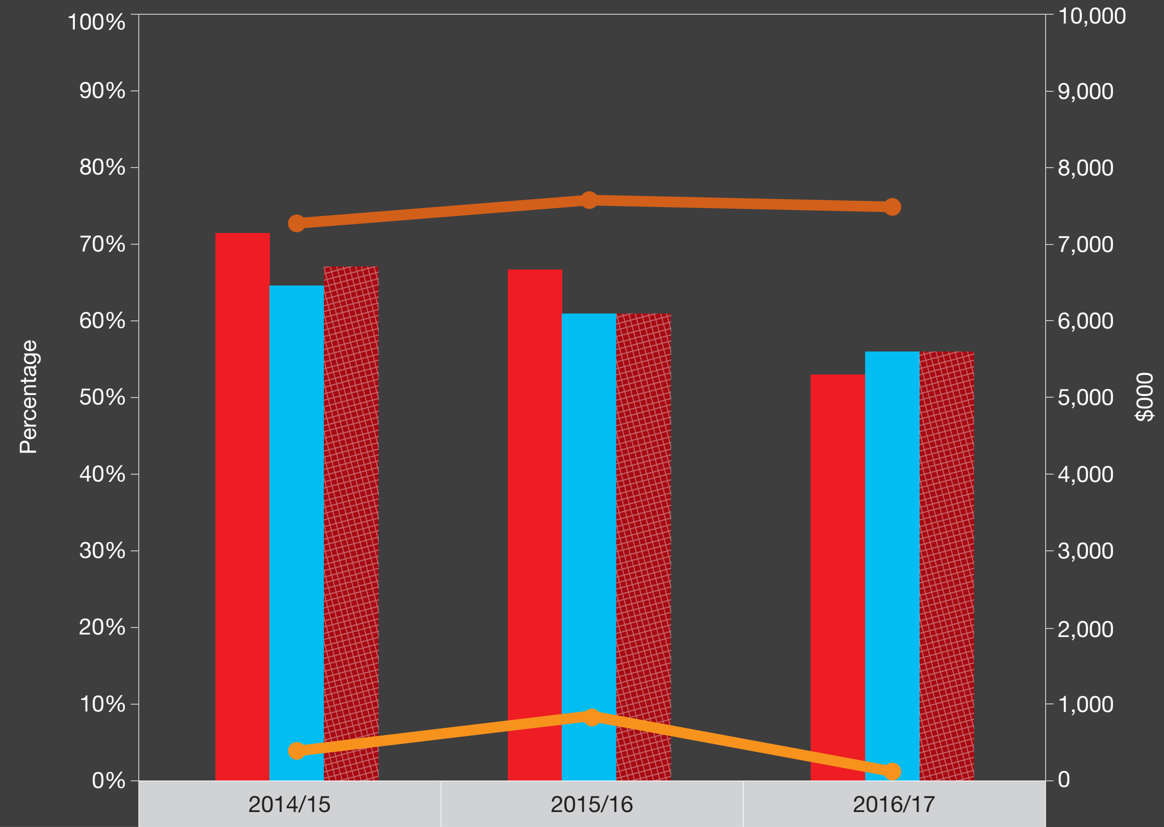
This measure is currently under development.

KPI: Growth in new and emerging sectors

According to the Regional Economic Activity Report 2016, published by the Ministry of Business, Innovation and Employment, 10% of employment is in accommodation and food services, compared to 7.8% for the rest of the country. 28.3% is the percentage change in the number of new dwelling consents per 10,000 people in Otago, between the year to June 2016 and 2017.

OVERALL PERFORMANCE OF ECONOMY

Impact of expenditure on the level of service for economy



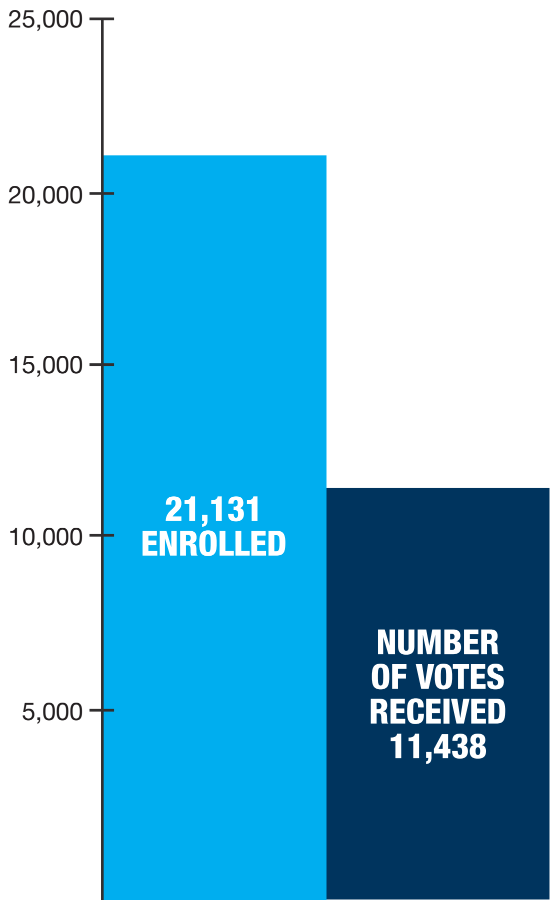
	2014/15	2015/16	2016/17
Satisfaction with Destination Queenstown	71%	67%	53%
Satisfaction with Arrowtown Promotional Board	65%	61%	56%
Satisfaction with Lake Wanaka Tourism	67%	61%	56%
Opex	7,278	7,548	7,567
Capex	374	878	107

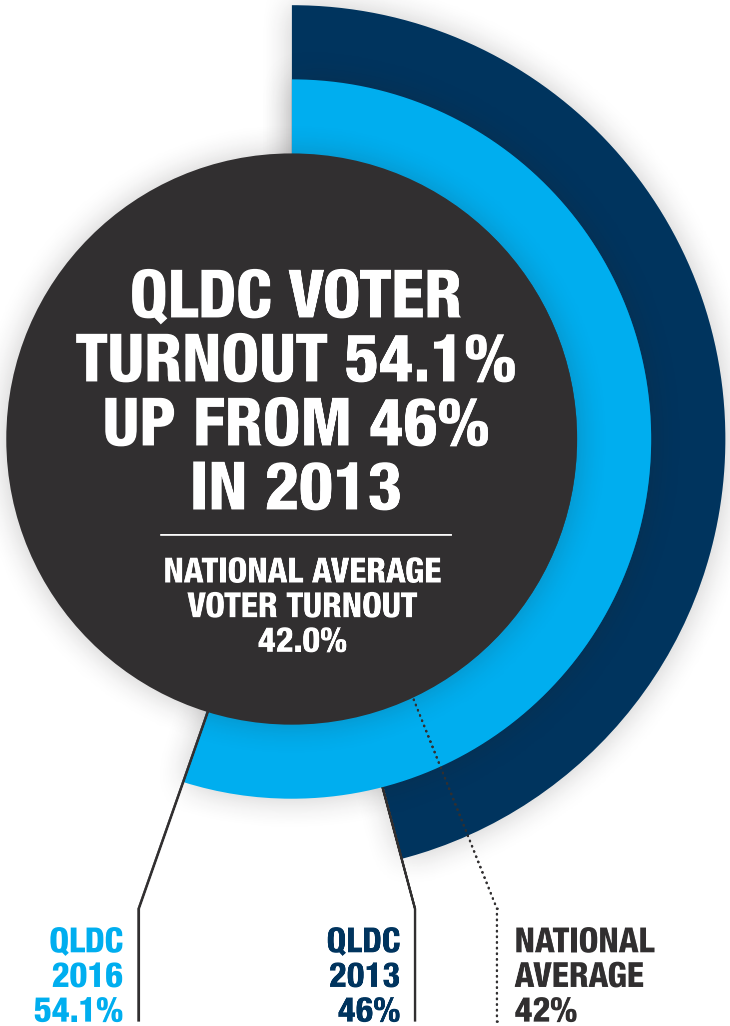
Satisfaction continues to reduce in relation to the District's Regional Tourism Organisations (RTOs). This requires further exploration, but this result is likely to be affected by the general pressures of increased visitor pressure on the District.

LOCAL DEMOCRACY

The community is well informed of and engaged in the activities of Council.

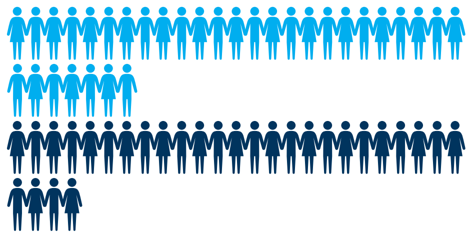
WHY SHOULD YOU CARE?





32 CANDIDATE NOMINATIONS IN 2016

29 CANDIDATE NOMINATIONS IN 2013



ABOUT LOCAL DEMOCRACY

WHAT WE DELIVER

GOVERNANCE

Governance supports elected members (Council, its Committees and the Wanaka Community Board) in their leadership role, enabling them to make informed decisions and monitor the delivery of services. The activity enables community participation in strategic agenda setting.

The Local Government Act 2002 creates a model of participative democracy to enable decision making for the benefit and well-being of the community. Elected members lead the decision making process for the community. Decisions are made taking into consideration the views of the community, but the elected members are accountable for those decisions.

Council staff plan and prepare the agendas for these meetings, ensure the meetings follow the approved procedures (standing orders) and minute the record of each meeting. Agenda and minutes are available to the community through the Council website and all meetings are open to the community and provide for a period of public forum where Councillors can be directly addressed.

Governance is responsible for:

- developing strategic priorities for the activities that the Council will deliver;
- developing and approving the long-term strategic and financial plan for the Council (the 10-Year Plan);
- monitoring the Council's performance in the achievement of the plans;
- communicating priorities, plans and achievements to the community;
- ensuring the Council's obligations and responsibilities under more than sixty different laws and a large number of regulations are met on a continuing basis. Staff are responsible for advising the Council on pending and actual changes to legislation; and
- providing access to public information the Council holds, within the restrictions of the Privacy Act 1993 and complying with the Local Government Official Information and Meetings Act 1987.

Current Representation Arrangements

QLDC is made up of the Mayor and 10 Councillors with the District divided into three wards:

Mayor
Jim Boult ONZM
Arrowtown Ward
Scott Stevens
Wakatipu Ward
Alexa Forbes
Craig (Ferg) Ferguson
John MacDonald
Penny Clark
Tony Hill
Valerie Miller
Wanaka Ward
Calum MacLeod (Deputy Mayor)
Ross McRobie
Vacant

Wanaka Community Board

The Wanaka Community Board is not a committee of Council but a separate unincorporated body established under Section 49 of the Local Government Act 2002. The role of the Wanaka Community Board is to represent and act as an advocate for the Wanaka community. The Council has given extensive delegation to the Wanaka Community Board to make decisions on many of the facilities and services located within the Wanaka Ward.

The membership of this Community Board is:

Wanaka Community Board
Rachel Brown (Chair)
Quentin Smith
Ed Taylor
Ruth Harrison
Calum MacLeod
Ross McRobie
Vacant

Committees

The Council reviews its committee structure after each triennial election. At the last review in December 2016, the Council resolved to increase standing committees to four and meet on a six weekly basis. The Council also established the following committees to oversee specific activities:

- Audit, Finance and Risk;
- Planning and Strategy;
- Infrastructure;
- Community and Services;
- Appeals;
- District Licensing; and
- Chief Executive Performance Review.

The Mayor may attend and vote at any meeting of Council or its committees, and Councillors are entitled to attend (but not vote at) any committee meeting of which they are not a member. The exception to this is the District Licensing Committee which has powers of a commission of enquiry under the Sale and Supply of Alcohol Act 2012.

The membership of these committees is:

Audit, Finance and Risk Committee
Cr Ross McRobie (Chair)
Cr Tony Hill
Mr Stuart McLauchlan
Mr Roger Wilson

Planning and Strategy Committee
Cr Tony Hill (Chair)
Cr Calum MacLeod
Cr Ross McRobie
Cr Valarie Miller
Cr John MacDonald
Cr Quentin Smith

Infrastructure Committee
Cr Alexa Forbes (Chair)
Cr Ross McRobie
Cr Penny Clark
Cr Craig Ferguson
Cr John MacDonald

Community and Services Committee
Cr Scott Stevens (Chair)
Cr Craig Ferguson
Cr Penny Clark
Cr Valarie Miller
Cr Quentin Smith

Appeals Subcommittee
The Chairperson of the Planning and Strategy Committee and any two other members of that Committee.

District Licensing Committee
Mr Bill Unwin (Chair)
Mr Lyal Cocks
Mr John Mann
Mr Michael MacAvoy
Mr Bob McNeil
Mr Neil Gillespie

Chief Executive Performance Review Subcommittee
Mayor Jim Boult ONZM
Cr Alexa Forbes
Cr Ross McRobie

COMMUNITY ENGAGEMENT

This activity aims to empower the communities of the Queenstown Lakes District to participate meaningfully in shaping the District's services, facilities and policies. This includes encouraging people to participate in democracy by being involved in making decisions about the community where they live.

COMMUNITY LEADERSHIP

This activity supports elected members (Council, Committees and Wanaka Community Board) in their leadership role, to make informed decisions and monitor the delivery of services.

The focus of the Council's contribution to the wider public interest will be to provide the activities of local democracy, infrastructure, local public services and performance of regulatory functions whilst ensuring these activities provide quality (efficient, effective and appropriate to present and future circumstances) and are economically sustainable (cost-effective for households and businesses).

LOCAL ELECTIONS

Council used the First Past the Post (FPP) electoral system for the 2016 triennial election. Electors vote by indicating their preferred candidates(s), and the candidate(s) that receives the most votes is declared the winner regardless of the proportion of votes that candidate(s) obtained.

The Queenstown Lakes District consists of three wards: Wakatipu, Arrowtown and Wanaka. The Mayor is elected at large throughout the District. Six Councillors are elected from the Wakatipu ward, one from the Arrowtown ward and three from the Wanaka ward.

Elections for the Queenstown Lakes District Council (Mayor and Councillors and Wanaka Community Board), Otago Regional Council, Southern District Health Board and Central Otago Health (Wanaka ward) are held every three years on the second Saturday in October.

The next election will occur on the 12th October 2019.

EMERGENCY MANAGEMENT

The Council has broad responsibilities under the Civil Defence Emergency Management (CDEM) Act 2002 to:

- dentify the hazards and risks that the communities of the District face;
- reduce the likelihood and consequences of hazards, building resilience;
- enable communities, the Council, partner response organisations and infrastructure providers to be ready for emergencies;
- respond effectively to emergencies in partnership with communities, businesses and partner organisations;
- direct and coordinate response and recovery efforts when necessary; and
- support communities to recover holistically and sustainably from emergencies.

The Council is required to be an active member of the Otago CDEM Group. The Otago Regional Council now employs the Council's Emergency Management Officer who coordinates the delivery of the emergency management responsibilities within the District, together with partner organisations in Queenstown, across the region and at a national level.

The Emergency Management Officer maintains the Local Emergency Management Plan and coordinates the efforts of the District, local partner organisations and communities in achieving the intent of the CDEM Act, National CDEM Strategy, National CDEM Plan, and the Otago CDEM Group Plan.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- We have made it easier to participate in consultations via our website and people can contact us at any time via traditional (in person, phone and email) and social media avenues, such as facebook and twitter.
- 593 submissions were made to the Annual Plan process for 2017/18, a decrease of 23% on those received the previous year. The key issues from this consultation were:
  - Chlorination of our community water supplies
  - Mountain biking
  - Transport and town centre master plan
  - Managing growth – upping levels of service and resourcing right
  - Planning right – the District Plan
  - Lakeside playground
  - Visitor levy
  - Rates
- Election services will be delivered independently by electionz.com. The next elections will be held on 12th October 2019 and the next Local Governance Statement will be produced following the elections.

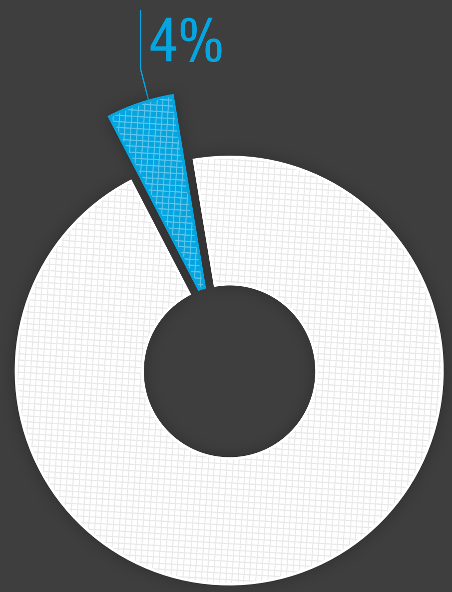
HOW MUCH IT COST

Breakdown of service cost

LOCAL DEMOCRACY	2016 LTP $000	2017 LTP $000	2017 Actual $000
Sources of Operating Funding			
General Rates, Uniform Annual General Charge, Rates Penalties	736	677	527
Targeted Rates	2,646	2,755	2,755
Subsidies & Grants for Operating expenditure	-	-	-
Fees & Charges	54	55	57
Interest and Dividends from Investments	3,238	3,672	4,699
Internal Charges Recovered	-	-	-
Fuel Tax, Fines, Infringement Fees & Other Receipts	-	-	14
Total Sources of Operating Funding	**6,674**	**7,159**	**8,052**
Applications of Operating Funding			
Payments to Staff and Suppliers	2,047	2,141	2,083
Finance Costs	8	10	-
Internal Charges Applied	1,349	1,378	1,127
Other Operating Funding Applications	-	-	-
Total Applications of Operating Funding	**3,404**	**3,529**	**3,210**
Surplus/(Deficit) of Operating Funding	**3,270**	**3,630**	**4,842**
Sources of Capital Funding			
Subsidies & Grants for Capital expenditure	-	-	-
Development and Financial Contributions	-	-	-
Increase/(Decrease) in Debt	87	-	-
Gross Proceeds from Sale of Assets	-	-	-
Lump Sum Contributions	-	-	-
Other Dedicated Capital Funding	-	-	-
Total Sources of Capital Funding	**87**	**-**	**-**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	43	-	-
- to replace existing assets	85	-	7
- to improve the level of service	43	-	-
Increase/(Decrease) in Reserves	3186	3,630	4,835
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**3357**	**3,630**	**4,842**
Surplus/(Deficit) of Capital Funding	**(3,270)**	**(3,630)**	**(4,842)**
Funding Balance	**-**	**-**	**-**

Significant Cost Of Services Variance	Significant Capital Expenditure	Significant Capital Expenditure Variances
Not applicable	Not applicable	Not applicable

AS A PERCENTAGE OF TOTAL EXPENDITURE



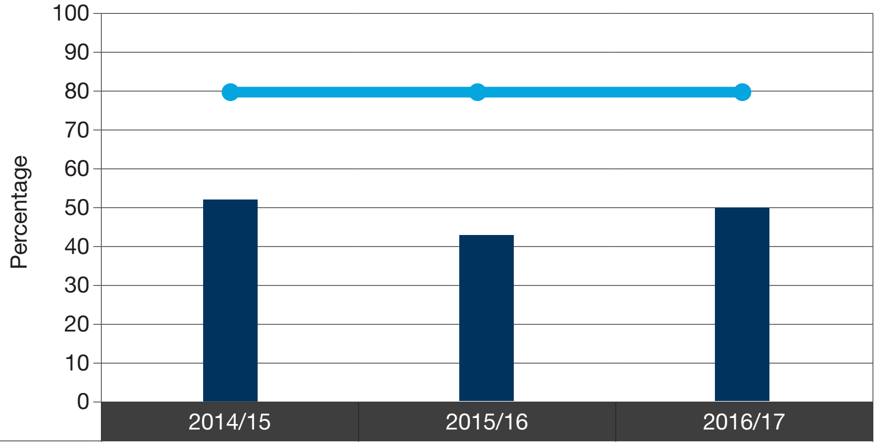
Total operating expenditure of **$86,496,000** (excluding depreciation)

Local Democracy expenditure of **$3,210,000**

HOW WE PERFORMED

HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

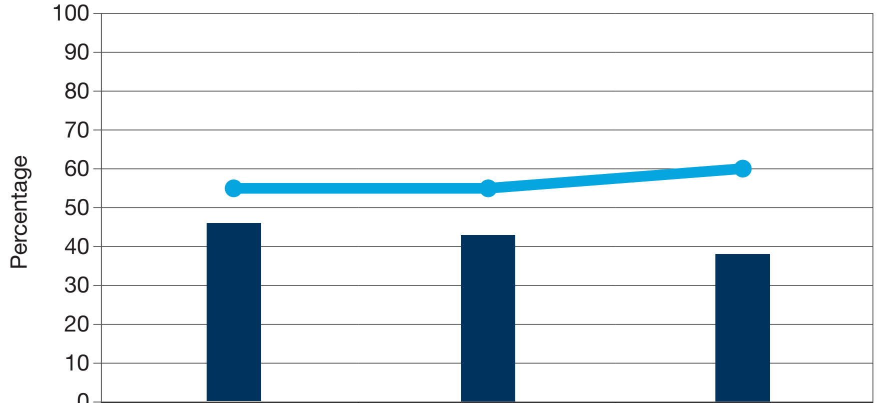
KPI: Percentage of ratepayers who are satisfied with Elected Member performance



	2014/15	2015/16	2016/17
Result	52%	43%	50%
Target	80%	80%	80%

Whilst further focus is needed to meet the 80% target this year, satisfaction with elected members has improved significantly.

KPI: Percentage of ratepayers who are satisfied with Council consultation



	2014/15	2015/16	2016/17
Result	46%	43%	38%
Target	55%	55%	60%

Satisfaction with Council consultation has reduced this year. Further focus is needed to ensure we are creating an environment in which it's possible for everyone to have their say.

FINANCIAL SUPPORT & SERVICES

Council expenditure is cost effective and sustainable. The Council is trusted and respected for its customer service and stewardship of the District.

WHY SHOULD YOU CARE?

COUNCIL'S FINANCE TEAM PROCESSED

15,341 INVOICES

IN 2016/17, RANGING FROM RESOURCE AND BUILDING CONSENTS, VENUE HIRE, DEVELOPMENT CONTRIBUTIONS AND SUNDRY ITEMS

ABOUT FINANCIAL SUPPORT & SERVICES

WHAT WE DELIVER

FINANCE

The finance team within QLDC:

- provides financial expertise, knowledge and tools required by QLDC's managers to make informed decisions
- provides finance services to other QLDC teams and activities
- ensures the finance function is structured in a way that provides flexibility to meet future demands and pressures
- ensures QLDC continues to appropriately manage its financial risk and fulfil its regulatory and statutory obligations
- ensures QLDC maintains a consistent culture of financial literacy and fiscal responsibility

HUMAN RESOURCES

The role of the Human Resources function is to ensure that QLDC has the right people, with the right skills and attitude, in the right place, at the right time in order to deliver on organisational objectives.

We proactively work with managers and team leaders, aligning our focus with both the business plan and needs.

Our key areas of responsibility are:

- attraction, recruitment and selection;
- organisational culture and employee engagement;
- organisational and career development;
- leadership and employment relations;
- systems, policies and processes; and
- health, safety and well-being.

KNOWLEDGE MANAGEMENT

The Knowledge Management team manages the Information and Communication Technology (ICT) infrastructure and application support, as well as providing spatial services, data and business analysis and records management. Knowledge Management supports the Council by managing technology risk, developing robust future proof systems and delivering transformational technology projects to meet and keep pace with the evolving needs of its customers - residents, visitors, businesses, partners, central government and staff.

CUSTOMER SERVICES

The Customer Services team provide the first point of contact for most of the community's interaction with QLDC. The Customer Services team provide face to face contact in our Gorge Road, Shotover Street and Ardmore Street offices. They are responsible for answering all phone enquiries and emails to the services@qldc.govt.nz inbox.

LEGAL COMPLIANCE

As a territorial authority, the Council has certain regulatory functions to administer. The Council is generally obliged to observe the wording of the relevant Act and must act as an impartial decision maker weighing the evidence placed in front of it by the parties. To the extent possible, the Council is required to separate its regulatory functions from the other activities it is involved with. The principle statutes that the Council is required to administer are the following:

- Reserves Act 1977;
- Resource Management Act 1991;
- Building Act 2004;
- Local Government Act 1974;
- Local Government Act 2002;
- Local Government (Rating) Act 2002;
- Local Electoral Act 2001;
- Food Act 2014 (and associated Regulations);
- Health Act 1956;
- Sale and Supply of Alcohol Act 2012;
- Dog Control Act 1996;
- Litter Act 1979;
- Health and Safety at Work Act 2015.

The Council also makes bylaws to deal with specific issues of public health and safety.

PROCUREMENT

The Council adopted a procurement policy in October 2016. The policy contains the framework and principles for the procurement of goods and services by the Council. This policy has been developed with reference to the guidance available to public entities on procurement, particularly the Office of the Auditor General's Procurement guidance for public entities (Controller and Auditor General, 2008) and the Queensland State Government's Developing 'Agency Purchasing Procedures' (Department of Public Works, 2000).

The policy is based on four complementary principles; quality and value for money, transparency and fairness, accountability and integrity and sustainability. These principles are equally applicable to the procurement of goods, civil construction and professional services.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- QLDC continues to pursue efficiency and consistency of services through standardised and simplified processes. A project is well underway to map all business processes using specialist software. This is already offering training benefits, business continuity and operational improvements.
- The Council has built and configured a new data-centre in Queenstown Events Centre to enhance disaster resilience and recovery.
- A new internal map viewer application has been deployed that integrates land, property, ownership, consent and license application, underground services, transportation, district plan rules and emergency management information.
- Knowledge Management has delivered several projects that improve infrastructure capacity, cyber security and provide for a more mobile workforce.
- A new organisational training and development programme has been implemented and continues to develop.
- QLDC's tertiary status remains in place through ACC's Workplace Safety Management Practices (WSMP) audit programme. All QLDC health, safety and well-being practices align with the new Health and Safety at Work Act. A culture of best practice is continuing to develop well.
- Work has commenced on the QLDC Queenstown office accommodation project, with a shortlist of location options prepared in consultation with the Town Centre Master Plan programme.

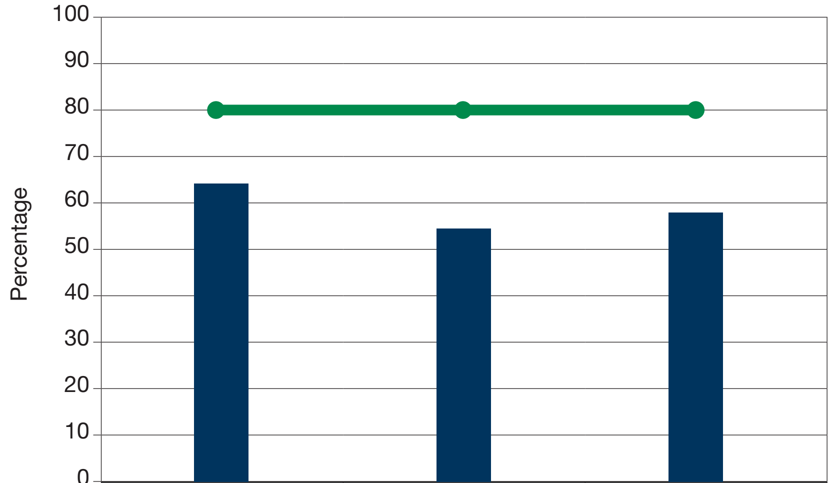
HOW MUCH IT COST

The cost of support services for the organisation is allocated out to each activity based on a relevant driver of cost. For example, the cost of Customer Services is apportioned by the number of enquiries received by activity.

HOW WE PERFORMED

HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS) FOR FINANCIAL SUPPORT AND SERVICES

KPI: Percentage of ratepayers who are satisfied with dealings with Council staff

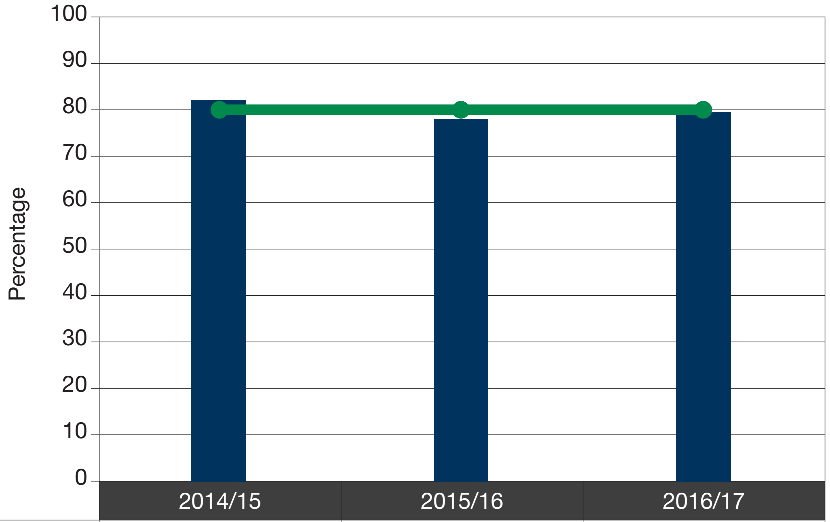


	2014/15	2015/16	2016/17
Result	64%	54%	58%
Target	80%	80%	80%

Whilst further focus is needed to meet the 80% target this year, satisfaction with Council staff has improved significantly.

KPI: Percentage of customer calls that meet the service level (answered within 20 seconds)

Year	Result	Target	Commentary
2014/15	82%	80%	This year, the Customer Services team have experienced reasonably high turnover, with staff moving into other career opportunities within the organisation. As such, the level of service has been impacted by the need to recruit quickly, train effectively and maintain team morale. Despite these challenges, the target was met.
2015/16	78%		
2016/17	80%		



	2014/15	2015/16	2016/17
Result	82%	78%	80%
Target	80%	80%	80%

KPI: Percentage of rates invoices that are sent via email

Year	Result	Target	Commentary
2014/15	15%	100% (trend towards)	Despite an increase in the percentage of rates sent via email, growth in the service has been slow. In order to address this, a reminder will be included in every issue of Scuttlebutt. Customer services and the rates team will continue to promote email and direct debit sign up by phone and front counter enquiries. All offices have been issued with a reminder to target rate payers.
2015/16	11%		
2016/17	15%		

KPI: Percentage of communication that is responded to within specified timeframes

a) Official Information Act (OIA) Requests within 20 days

Year	Result	Target	Commentary
2014/15	90%	100%	The total number of LGOIMA requests received this year has increased by 24% compared to 2015/16. The high volume and complexity of these requests meant that delays occurred where confirmation of scope, further consultation or a legal opinion was required. Communication was maintained with submitters throughout the process and in many cases where the 20 days was exceeded, the information was provided within a day of the deadline.
2015/16	89%		
2016/17	87%		

b) Councillor enquiries within 5 days

Year	Result	Target	Commentary
2014/15	93%	95%	The total number of Councillor enquiries decreased by 29% in 2016/17. This achieved the target set.
2015/16	85%		
2016/17	95%		

KPI: Weighted average interest rate

Year	Result	Target	Commentary
2014/15	5.4%	<6%	The weighted average interest rate is 4.5% for the year. This is due to lower than expected interest rates for the period. This achieved the target set.
2015/16	4.8%		
2016/17	4.5%		

KPI: Debt servicing to rates revenue

Year	Result	Target	Commentary
2014/15	10.2%	<15%	The debt servicing to rates revenue is 6.1% for this year. Levels have decreased slightly this period. This is due to lower than expected borrowing costs and the timing of some capital works. This achieved the target set.
2015/16	7.8%		
2016/17	6.1%		

KPI: Percentage of debt owing 90 days plus (excluding rates)

Year	Result	Target	Commentary
2014/15	21%	<30%	Continued focus on debt collection has maintained the significant reduction from 2014/15.
2015/16	9%		
2016/17	9%		

KPI: Rates as a percentage of household income

Year	Result	Target	Commentary
2014/15	2.78%	<3%	Rates as a percentage of household income was 3.13% for 2016/17. Levels are slightly up on previous years (2.95% for 2015/16). This did not achieve the target set.
2015/16	2.95%		
2016/17	3.13%		

KPI: Capex to depreciation ratio

Year	Result	Target	Commentary
2014/15	1.70	>1	The capital expenditure to depreciation ratio is 2.46 for 2016/17. Levels are slightly down compared to last year (2.68 in 2015/16). This achieved the target set.
2015/16	2.68		
2016/17	2.46		

FUNDING IMPACT STATEMENT

WHOLE COUNCIL [QLDC ONLY]

Funding Impact Statement - Whole Council (QLDC only)

	2016 LTP $000	2016 Actual $000	2017 Annual Plan $000	2017 Actual $000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	3,379	3,552	3,024	3,252
Targeted rates	56,643	56,022	60,000	59,481
Subsidies & grants for operating expenditure	3,653	6,119	3,835	7,418
Fees & charges	15,201	21,676	22,373	28,156
Interest and dividends from investments	3,238	4,079	3,852	4,865
Fuel tax, fines, infringement fees & other receipts	7,455	5,876	4,456	8,254
Total sources of operating funding	**89,649**	**97,324**	**97,620**	**111,426**
Applications of operating funding				
Payments to staff and suppliers	63,510	77,365	71,665	82,725
Finance costs	7,253	4,565	9,178	3,771
Other operating funding applications	-	-	-	-
Total applications of operating funding	**70,763**	**81,930**	**80,843**	**86,496**
Surplus/(deficit) of operating funding	**18,886**	**15,394**	**16,777**	**24,930**
Sources of capital funding				
Subsidies & grants for capital expenditure	11,278	3,221	10,531	7,748
Development and financial contributions	6,959	8,165	6,688	13,112
Increase/(decrease) in debt	18,530	(25,490)	48,042	7,565
Gross proceeds from sale of assets	-	15,356	-	162
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	**36,767**	**1,252**	**65,261**	**28,587**
Applications of capital funding				
Capital expenditure				
- to meet additional demand	16,849	15,430	36,087	21,682
- to replace existing assets	6,962	9,442	8,056	9,392
- to improve the level of service	29,010	20,933	37,899	15,692
Increase/(decrease) in reserves	2,832	(29,159)	(4)	6,751
Increase/(decrease) of investments	-	-	-	-
Total applications of capital funding	**55,653**	**16,646**	**82,038**	**53,517**
Surplus/(deficit) of capital funding	**(18,886)**	**(15,394)**	**(16,777)**	**(24,930)**
Funding balance	**-**	**-**	**-**	**-**

Reconciliation of Funding Impact Statement to Statement of Financial Performance

	2016 LTP $000	2016 Actual $000	2017 Annual Plan $000	2017 Actual $000
INCOME				
Statement of Comprehensive Revenue and Expense:				
Total operating income	**118,743**	**143,401**	**125,962**	**176,293**
Funding Impact Statement:				
Total sources of operating funding	86,649	97,324	97,620	111,426
Plus sources of capital funding:				
Subsidies & grants for capital expenditure	11,278	3,221	10,531	7,748
Development and financial contributions	6,959	8,165	6,688	13,112
Other dedicated capital funding	-	-	-	-
Less cost of property sales	-	-	-	-
Plus non-cash items:				
Vested assets	10,240	11,648	10,500	8,493
Other gains/(losses)	617	23,043	623	35,514
Total income	**115,743**	**143,401**	**125,962**	**176,293**
EXPENDITURE				
Statement of Comprehensive Income:				
Total operating expenditure	**91,426**	**104,007**	**103,850**	**108,889**
Funding Impact Statement:				
Total applications of operating funding	70,763	81,930	80,843	86,496
Plus non-cash items:				
Depreciation & amortisation expense	20,663	22,077	23,007	22,393
Other	-	-	-	-
Total expenditure	**91,426**	**104,007**	**103,850**	**108,889**

SECTION 03: FINANCIAL STATEMENTS

Statement of Financial Performance

For the financial year ended 30 June 2017	Notes	Council 2017 $'000	Council Budget $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Operating revenue						
Revenue from non-exchange transactions						
Rates revenue	2 (a)	62,025	61,846	58,877	61,693	58,582
Other revenue	2 (a)	47,270	38,933	36,850	46,393	36,571
Revenue from exchange transactions						
Other revenue	2 (b)	31,484	23,882	24,631	65,396	52,139
Other gains/(losses)	2 (b)	35,514	-	23,043	36,348	22,899
Total revenue	**2 (g)**	**176,293**	**124,661**	**143,401**	**209,830**	**170,191**
Operating expenditure						
Employee benefits expense	2 (c)	20,325	20,491	18,384	25,017	21,576
Depreciation and amortisation expense	2 (d)	22,393	23,007	22,077	29,715	27,626
Borrowing costs	2 (e)	3,771	9,178	4,565	5,723	5,698
Other expenses	2 (f)	62,400	50,496	58,981	69,526	64,902
Total operating expenditure	**2 (g)**	**108,889**	**103,172**	**104,007**	**129,981**	**119,802**
Operating surplus before income tax and subvention receipt		**67,404**	**21,489**	**39,394**	**79,849**	**50,389**
Subvention receipt	3	555	-	-	-	-
Operating surplus before income tax		**67,959**	**21,489**	**39,394**	**79,849**	**50,389**
Income tax expense	3	-	-	-	4,250	7,050
Operating surplus for the year		**67,959**	**21,489**	**39,394**	**75,599**	**43,339**
Operating surplus attributable to:						
- Council	19	67,959	21,489	39,394	72,398	41,349
- Non-controlling interest	20	-	-	-	3,201	1,990
		67,959	**21,489**	**39,394**	**75,599**	**43,339**

The accounting policies and notes form part of and should be read in conjunction with these financial statements.

Statement of Other Comprehensive Revenue and Expense

For the financial year ended 30 June 2016	Notes	Council 2017 $'000	Council Budget $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Surplus for the year		67,959	21,489	39,394	75,599	43,339
Other comprehensive revenue and expense						
May be reclassified subsequently to revenue or expense when specific conditions are met						
Gain/(loss) on revaluation	18 (a)	53,593	623	-	85,648	38,371
Income tax relating to revaluation	18 (a)	-	-	-	(2,027)	(2,774)
Gain/(loss) on cash flow hedging	18 (d)	-	-	-	423	(864)
Realised losses transferred to the statement of financial performance	18 (a)	-	-	-	198	(20)
Income tax relating to cash flow hedging	18 (d)	-	-	-	(118)	242
Total comprehensive income		**121,552**	**22,112**	**39,394**	**159,723**	**78,294**
Attributable to:						
- Council		121,552	22,112	39,394	148,891	67,568
- Non-controlling interest		-	-	-	10,832	10,726
		121,552	**22,112**	**39,394**	**159,723**	**78,294**

Statement of Financial Position

As at 30 June 2017	Notes	Council 2017 $'000	Council Budget $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Current assets						
Cash and cash equivalents	27	6,326	336	5,009	7,241	5,930
Trade and other receivables from non-exchange transactions	6	6,725	8,408	4,193	6,725	4,193
Trade and other receivables from exchange transactions	6	6,605	1,838	5,787	9,088	8,449
Inventories		46	24	47	46	47
Current tax refundable	3	-	-	1	-	1
Other financial assets	7	10,013	14	13	10,013	13
Other current assets	8	797	716	823	1,189	990
Development property		-	292	-	-	-
Total current assets		**30,512**	**11,628**	**15,873**	**34,302**	**19,623**
Non-current assets						
Investment in subsidiaries	24	6,250	6,250	6,250	-	-
Other financial assets	7	2,134	1,086	1,970	2,397	1,970
Property, plant and equipment	9	1,122,806	1,159,502	1,035,751	1,420,252	1,285,097
Forestry assets	10	-	-	-	1,849	1,117
Intangible assets	11	673	-	1,277	3,598	4,350
Investment property	12	110,205	62,931	75,525	110,205	75,525
Total non-current assets		**1,242,068**	**1,229,769**	**1,120,773**	**1,538,301**	**1,368,059**
Total assets		**1,272,580**	**1,241,397**	**1,136,646**	**1,572,603**	**1,387,682**
Current liabilities						
Trade and other payables from exchange transactions	13	22,618	14,848	23,994	27,306	27,433
Borrowings	14	17,223	48,000	223	17,223	223
Other financial liabilities	15	262	-	-	262	-
Other current liabilities	16	8,286	2,846	8,477	8,330	8,494
Employee entitlements	17	1,305	-	1,236	2,174	1,651
Current tax payable	3 (c)	-	-	-	2,132	1,130
Total current liabilities		**49,694**	**65,694**	**33,930**	**57,427**	**38,931**

The accounting policies and notes form part of and should be read in conjunction with these financial statements.

Statement of Financial Position continued

As at 30 June 2017	Notes	Council 2017 $'000	Council Budget $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Non-current liabilities						
Borrowings	14	75,466	113,783	75,688	122,466	114,698
Other financial liabilities	15	1,298	-	2,458	1,298	2,618
Other non-current liabilities	16	-	-	-	115	141
Deferred tax liabilities	3 (d)	-	-	-	15,080	13,235
Total non-current liabilities		**76,764**	**113,783**	**78,146**	**138,959**	**130,692**
Total liabilities		**126,458**	**179,477**	**112,076**	**196,386**	**169,623**
Net assets		**1,146,122**	**1,061,920**	**1,024,570**	**1,376,217**	**1,218,059**
Equity						
Reserves	18	555,374	461,760	465,989	683,945	571,659
Accumulated funds	19	590,748	600,160	558,581	633,091	596,485
Total equity attributable to Council		**1,146,122**	**1,061,920**	**1,024,570**	**1,317,036**	**1,168,144**
Non-controlling interest	20	-	-	-	59,181	49,915
Total equity		**1,146,122**	**1,061,920**	**1,024,570**	**1,376,217**	**1,218,059**

The accounting policies and notes form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

Council	Notes	Revaluation Reserves $'000	Operating Reserves $'000	Capital Reserves $'000	Hedging Reserve $'000	Accumulated Funds $'000	Attributable to Equity Holders of Parent $'000	Non-Controlling Interest $'000	TOTAL EQUITY $'000
As at 30 June 2017									
Balance at 1 July 2016	18/19	430,044	14,616	21,329	-	558,581	1,024,570	-	1,024,570
Total comprehensive revenue and expense for the year	18/19	53,593	-	-	-	67,959	121,552	-	121,552
Transfers from/(to) accumulated funds	18/19	34,611	1,250	(69)	-	(35,792)	-	-	-
Balance at 30 June 2017		**518,248**	**15,866**	**21,260**	**-**	**590,748**	**1,146,122**	**-**	**1,146,122**
As at 30 June 2016									
Balance at 1 July 2015	18/19	420,719	16,058	9,855	-	538,544	985,176	-	985,176
Total comprehensive revenue and expense for the year		-	-	-	-	39,394	39,394	-	39,394
Transfers from/(to) accumulated funds	18/19	9,325	(1,442)	11,474	-	(19,357)	-	-	-
Balance at 30 June 2016		**430,044**	**14,616**	**21,329**	**-**	**558,581**	**1,024,570**	**-**	**1,024,570**

Group	Notes	Revaluation Reserves $'000	Operating Reserves $'000	Capital Reserves $'000	Hedging Reserve $'000	Accumulated Funds $'000	Attributable to Equity Holders of Parent $'000	Non-Controlling Interest $'000	TOTAL EQUITY $'000
As at 30 June 2017									
Balance at 1 July 2016	18/19	536,703	14,616	21,329	(989)	596,485	1,168,144	49,915	1,218,059
Total comprehensive revenue and expense for the year	18/19	76,117	-	-	377	72,397	148,891	10,832	159,723
Dividends paid	20	-	-	-	-	-	-	(1,565)	(1,565)
Reclassification to accumulated funds	18 (a)/19	-	-	-	-	-	-	-	-
Transfers from/(to) accumulated funds	18/19	34,611	1,250	(69)	-	(35,792)	-	-	-
Balance at 30 June 2017		**647,431**	**15,866**	**21,260**	**(612)**	**633,091**	**1,317,036**	**59,181**	**1,376,217**
As at 30 June 2016									
Balance at 1 July 2015	18/19	500,712	16,058	9,855	(508)	574,458	1,100,575	40,477	1,141,052
Total comprehensive revenue and expense for the year	18/19	26,701	-	-	(481)	41,349	67,569	10,726	78,295
Dividends paid	20	-	-	-	-	-	-	(1,288)	(1,288)
Reclassification to accumulated funds	18 (a)/19	(35)	-	-	-	35	-	-	-
Transfers from/(to) accumulated funds	18/19	9,325	(1,442)	11,474	-	(19,357)	-	-	-
Balance at 30 June 2016		**536,703**	**14,616**	**21,329**	**(989)**	**596,485**	**1,168,144**	**49,915**	**1,218,059**

Statement of Cash Flows

For the financial year ended 30 June 2017	Notes	Council 2017 $'000	Council Budget $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities						
Receipts from customers		123,730	110,988	110,053	160,431	140,203
Interest received		166	-	211	202	211
Dividends received		4,699	3,852	3,868	-	-
Payments to suppliers and employees		(84,448)	(71,664)	(66,581)	(95,992)	(75,056)
Finance costs paid		(4,194)	(9,178)	(5,109)	(5,821)	(6,477)
Income tax paid		-	-	-	(3,640)	(4,016)
Subvention receipt		555				
Net GST (payment) /receipt		4	-	(654)	4	(654)
Net cash inflow/(outflow) from operating activities	**27(c)**	**40,512**	**33,998**	**41,788**	**55,184**	**54,211**
Cash flows from investing activities						
Purchase of investments		(10,160)	-	(240)	(10,160)	(240)
Sale of investment property		-	-	-	-	-
Sale of development property		-	-	15,341	-	15,341
Purchase of property, plant and equipment		(45,545)	(82,040)	(43,269)	(66,248)	(64,680)
Purchase of investment property		(69)	-	-	(69)	-
Purchase of intangible assets		(360)	-	(376)	(783)	(1,138)
Proceeds from sale of property, plant and equipment		161	-	48	184	52
Net cash inflow/(outflow) from investing activities		**(55,973)**	**(82,040)**	**(28,496)**	**(77,076)**	**(50,665)**
Cash flows from financing activities						
Proceeds from borrowings		17,001	87,042	14,733	24,991	26,418
Repayment of borrowings		(223)	(39,000)	(40,223)	(223)	(40,223)
Dividends paid		-	-	-	(1,565)	(1,288)
Net cash inflow /(outflow) from financing activities		**16,778**	**48,042**	**(25,490)**	**23,203**	**(15,093)**
Net increase/(decrease) in cash and cash equivalents		1,317	-	(12,198)	1,311	(11,548)
Cash and cash equivalents at the beginning of the financial year		5,009	336	17,207	5,930	17,478
Cash and cash equivalents at the end of the financial year		**6,326**	**336**	**5,009**	**7,241**	**5,930**
Represented by:						
Cash and cash equivalents		6,326	336	5,009	7,241	5,930
Bank overdraft		-	-	-	-	-
		6,326	**336**	**5,009**	**7,241**	**5,930**

The accounting policies and notes form part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Queenstown Lakes District Council ("the Council" or "QLDC") is a territorial local authority governed by the Local Government Act 2002.

The Council Group ("Group") consists of the Council, its wholly owned subsidiaries Queenstown Events Centre Trust ("QEC" (dormant)) and the 75.01% owned Queenstown Airport Corporation Limited ("QAC"), as well as its 75% share of Lakes Combined Afforestation Committee ("LCAC").

The Council has controlling interests in Queenstown Events Centre Trust (100% - dormant) and Queenstown Airport Corporation Limited (75.01%). The Council has a controlling interest in Coronet Forest via Lakes Combined Afforestation Committee (75%), an unincorporated entity. Pursuant to the Local Government Act 2002, these controlled entities are council controlled organisations ("CCOs").

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself and the Group as public benefit entities ("PBEs") for the purposes of complying with generally accepted accounting practice.

The financial statements of the Council and Group are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 26 October 2017.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the year. The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of

Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements of the Council and Group comply with Public Benefit Entity (PBE) Standards.

The financial statements have been prepared in accordance with Tier 1 PBE Standards.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Standards Issued and not yet Effective that have been Early Adopted

Standards and amendments issued but not yet effective that have been early adopted are:

Impairment of Revalued Assets
In April 2017, the External Reporting Board ("XRB") issued PBE IPSAS 21 *Impairment of Revalued Assets*, which now scopes in revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment assets measured at cost were scoped into the impairment accounting standards.

The Council has early adopted this amendment in preparing its 30 June 2017 financial statements. From 30 June 2017 onwards, the Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. The Council can therefore impair a revalued asset without having to revalue the entire class of asset to which the asset belongs.

Other Changes in Accounting Policies

There have been no other changes in accounting policies.

Standards Issued and not yet Effective and not Early Adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and Group are:

Interest in Other Entities
In January 2017 the XRB issued new standards for interests in other entities (PBE IPSAS 34 – 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 – 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new accounting standards in preparing the 30 June 2020 financial statements. The Council and Group have not yet assessed the effects of these new standards.

Financial Instruments
In January 2017 the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual period beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing the 30 June 2022 financial statements. The Council and Group have not yet assessed the effects of the new standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Council and Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, taking into account contractually defined terms of payment, net of discounts and GST.

The specific recognition criteria described below must also be met before revenue is recognised.

(i) Revenue from Non-Exchange Transactions

General and Targeted Rates

General and targeted rates are set annually and invoiced within the year. The Council and Group recognise revenue from rates when the Council has set the rate and provided the rates assessment. Rates revenue is measured at the amount assessed, which is the fair value of the cash received or receivable.

User Charges and Other Income – Subsidised

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as community activities, liquor licencing, water connections, dog licensing, etc.), and where a shortfall is subsidised by income from other activities, such as rates. Generally, there are no conditions attached to such revenue.

Revenue from subsidised services is recognised when the Council issues the invoice for the service. Revenue is recognised at the amount of the invoice, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that the Council has an obligation to refund the cash received from the service (or to the extent that the customer has the right to withhold payment from the Council) if the service is not completed.

Grants and Subsidies

Government grants are received from NZTA which subsidises part of the Council's costs in maintaining the local roading infrastructure. The subsidies represent revenue from non-exchange transactions and are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Other grants and subsidies are recognised upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

A deferred revenue liability is recognised instead of revenue to the extent that there is a condition attached that would give rise to a liability to repay the grant amount or to return the granted asset.

Vested Assets

Certain infrastructural assets have been vested to the Council as part of the subdivision covenant process. Vested assets are recognised at fair value at the date of recognition with an equal amount recognised as revenue unless there are conditions attached to the asset in which case revenue is deferred as a liability until the conditions are met.

Development Contributions

The revenue recognition point for development and financial contributions is at the later of the point when the Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

(ii) Revenue from Exchange Transactions

User Charges and Other Income – Full Cost Recovery

Revenue from the rendering of services (such as resource consents, building consents, waste management, car parking etc.) is recognised by reference to the stage of completion of the service. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest revenue is included in other revenue.

Dividend Revenue

Dividends are recognised when the entitlement to the dividends is established.

Property Sales

Net gains or losses on the sale of investment property, property, plant and equipment, property intended for sale and financial assets are recognised when an unconditional contract is in place and it is probable that the Council and Group will receive the consideration due.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Borrowing Costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Council and Group have chosen not to capitalise borrowing costs directly attributable to the acquisition, construction or production of assets.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the Statement of Financial Performance on a basis representative of the pattern of benefits to be derived from the leased asset.

(a) Council and/or Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(b) Council and/or Group as Lessee

Assets held under finance leases are recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

(c) Lease Incentives

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net surplus as reported in the Statement of Financial Performance because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable or deductible. The Council's and Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit and is accounted for using the comprehensive balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting surplus. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Council and Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Council and Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised as an expense or income in the Statement of Financial Performance, except when it relates to items credited or debited to other comprehensive income, in which case the deferred tax is recognised directly in other comprehensive income.

Goods and Services Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and other short-term highly liquid deposits that are readily convertible to a known amount of cash.

Financial Instruments

Financial assets and financial liabilities are recognised on the Council's or Group's Statement of Financial Position when the Council and/or Group becomes a party to contractual provisions of the instrument. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through surplus or deficit which are initially valued at fair value.

(i) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through surplus or deficit', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method, referred to below, is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial Assets at Fair Value Through Surplus or Deficit

Financial assets are classified as financial assets at fair value through surplus or deficit where the financial asset:

- Has been acquired principally for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that the Council and Group manages together and has a recent actual pattern of short-term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance. The net gain or loss is recognised in the Statement of Financial Performance and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

Held-to-Maturity Investments

Investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The Council and Group do not hold any financial assets in this category.

Available-for-Sale Financial Assets

Equity investments held by the Council and Group classified as being available-for-sale are stated at fair value. Fair value is determined in the manner described later in this note. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, with the exception of impairment losses which are recognised directly in the Statement of Financial Performance. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in the Statement of Financial Performance for the period.

Dividends on available-for-sale equity instruments are recognised in the Statement of Financial Performance when the Council's and Group's right to receive payments is established.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council or Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the Statement of Financial Performance.

Loans, including loans to community organisations made by the Council at nil, or below-market interest rates, are initially recognised at the present value of their expected future cash flows and discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Financial Performance as a grant.

Impairment of Financial Assets

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial Liabilities

Trade and Other Payables

Trade payables and other accounts payable are recognised when the Council and Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Financial Performance over the period of the borrowing using the effective interest method.

(iii) Derivative Financial Instruments

The Group enters into certain derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 33 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. The resulting gain or loss is recognised in the Statement of Financial Performance immediately unless the derivative is designated and effective as a hedging instrument (in the case of Queenstown Airport Corporation Ltd (QAC)), in which event the nature and timing of the recognition in surplus or deficit depends on the nature of the hedging relationship. QAC designates certain derivatives as cash flow hedges. Council does not undertake hedge accounting in relation to its derivative financial instruments.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as listed equities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Council and Group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council and Group use a variety of methods and makes assumptions that are based on market conditions existing as at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the Statement of Financial Performance.

Hedge Accounting

Queenstown Airport Corporation Ltd (QAC) designates certain hedging instruments, which may include derivatives, as cash flow hedges.

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, QAC documents whether the hedging instrument that is used in a hedged relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 15 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in other comprehensive income.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in other comprehensive revenue and expenses and accumulated as a separate component of equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in surplus or deficit.

Amounts recognised in the hedging reserve are reclassified from equity to surplus or deficit (as a reclassification adjustment) in the periods when the hedging item is recognised in the surplus or deficit, in the same line as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a nonfinancial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset or liability (as a reclassification adjustment).

Hedge accounting is discontinued when QAC revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in the hedging reserve is recognised immediately in the surplus or deficit.

Development Properties

Development properties are stated at the lower of cost or net realisable value. Cost includes planning expenditure and any other expenditure to bring the development property to its present condition.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis with an appropriate allowance for obsolescence and deterioration.

Properties Intended for Sale

Properties intended for sale are measured at the lower of carrying amount and fair value less costs to sell. Properties are classified as intended for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Property, Plant and Equipment

The Council and Group have the following classes of property, plant and equipment:

Operational Assets

- Council owned land, buildings and building improvements, plant and equipment, motor vehicles, furniture and office equipment, computer equipment and library books; and
- Subsidiary owned buildings, building improvements, plant and equipment, motor vehicles, furniture, office equipment and computer equipment.

Airport Assets

- Land
- Buildings
- Runway
- Roading and carparking

Infrastructure Assets

- Infrastructural assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function:

    - Sewer, stormwater, water

    - Roads, bridges and lighting

    - Land under roads

(i) Cost

Operational assets (excluding Airport assets such as Queenstown Airport Corporation Ltd (QAC) land, buildings, roading, carparking and runways) and land under roads are recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Where an asset is acquired for no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

(ii) Accounting for Revaluations

Infrastructural assets, other than Land under Roads, are stated at fair value less accumulated depreciation and any impairment losses recognised after the date of revaluation. Airport assets held by QAC including land, buildings, roading, carparking and runways are also carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Infrastructure assets, land, buildings and runways acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

The results of revaluing are credited or debited to an asset revaluation reserve via other comprehensive income for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed to the Statement of Financial Performance.

Any subsequent increase in revaluation that offsets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial Performance up to the amount previously expensed, and then credited to the revaluation reserve via other comprehensive income for that class of asset.

Sewer, Stormwater, Water

Sewer, stormwater and water assets are stated at fair value, which is optimised depreciated replacement cost value as at 1 July 2016 by Rationale, independent valuers. Acquisitions subsequent to 1 July 2016 are at cost.

Roads, Bridges and Lighting

Roads, bridges and lighting are stated at fair value, which is optimised depreciated replacement cost value as at 1 July 2016 by Beca Valuations Limited, independent valuers.

Airport Land, Buildings, Roading, Carparking and Runways

Airport land holdings, roading and carparking buildings held by QAC were independently valued by Seagar & Partners, registered valuers, as at 30 June 2017 to fair value.
The runway was independently valued by Beca Valuations Limited (Beca), registered valuers, as at 30 June 2017. Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. To arrive at fair value the valuers used optimised depreciated replacement cost for the terminal building, fire building, runway and aprons and direct comparison/market value for land.

(iii) Depreciation

Operational assets with the exception of land, are depreciated on a straight-line basis to write off the asset to its estimated residual value over its estimated useful life.

Infrastructural assets, with the exception of land under roads, are depreciated on a straight-line basis to write off the fair value of the asset to its estimated residual values over its estimated useful life.

Airport assets, with the exception of land, are depreciated on a straight line and a diminishing value basis to write off the asset to its estimated residual value over its estimated useful life.

Expenditure incurred to maintain these assets at full operating capability is charged to the Statement of Financial Performance in the year incurred.

The following estimated useful lives are used in the calculation of depreciation.

Operational Assets	Rate (%)	Method
Buildings	2.0% - 33%	SL
Building improvements	1.67% - 6.67%	SL
Plant and equipment	5.5% - 28%	SL
Motor vehicles	20% - 26%	DV
Furniture and office equipment	10% - 33%	SL
Computer equipment	25%	SL
Library books	10%	SL

Infrastructural Assets	Rate (%)	Method
Sewerage	1.67% - 10%	SL
Water supply	1.67% - 10%	SL
Stormwater	1.67% - 10%	SL
Roading	1% - 10%	SL

Airport Assets	Rate (%)	Method
Buildings	2.5%-33%	DV
Airport Runway	1%-20%	SL
Roading and Car Parking	4.8%-50%	DV

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

(iv) Disposal

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the period the asset is derecognised.

Forestry Assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the Statement of Financial Performance.

The costs to maintain the forestry assets are included in the Statement of Financial Performance.

Emission Trading Scheme Accounting Policy

New Zealand Units (NZUs) allocated as a result of the Council's participation in the Emissions Trading Scheme (ETS) are treated as intangible assets, and recorded at cost.

The difference between initial cost and the disposal price of the units is treated as revenue in surplus/(deficit) for the period.

Liabilities for surrender of NZUs (or cash) are accrued at the time the forests are harvested, or removed in any other way, in accordance with the terms of the ETS legislation.

Liabilities are accounted for at settlement value, being the cost of any NZUs on hand to meet the obligation plus the fair value of any shortfall in NZUs to meet the obligation.

Investment Properties

Investment properties are held to earn rentals and/or for capital gains. Property held to meet service delivery objectives or held for strategic purposes is excluded from investment properties and included with property, plant and equipment. The investment properties are measured at fair value at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the Statement of Financial Performance in the period in which they arise.

Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method. Goodwill on acquisition of associates is included in investments in associates by applying the equity method.

Goodwill arising in business combinations is not amortised. Instead, goodwill is tested for impairment annually. After initial recognition, the Council and Group measures goodwill at cost less any accumulated impairment losses. An impairment loss recognised for goodwill will not be reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

Finite Life Intangible Assets

Finite life intangible assets are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

Intangible Assets Acquired in a Business Combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Intangible Assets - Software Acquisition and Development

Acquired computer software licenses are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Council and Group, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Impairment of Non-Financial Cash-Generating Assets

At each reporting date, the Council and Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Council and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset’s ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease, via other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase, via other comprehensive income.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Council and Group in respect of services provided by employees up to reporting date.

Provisions

Provisions are recognised when the Council and Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and demand deposits that the Council and Group invest in as part of day to day cash management.

Operating activities include cash received from all income sources of the Council and Group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt structure of the Council and Group.

Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its subsidiaries as defined in NZ IFRS10 Consolidated Financial Statements. A list of subsidiaries appears in note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to surplus or deficit in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Council obtains control and until such time as the Council ceases to control the subsidiary.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

Investments in subsidiaries and controlled entities are included in the parent entity at cost less any impairment losses.

Equity

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted and Council Created Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

The Council's objectives, policies and processes for managing capital are described in note 32.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the Council or Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability the Council or Group will be required to reimburse a holder for a loss incurred, discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if the Council or Group assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Budget Figures

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with PBE FRS, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Allocation of Overheads

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on the cost drivers and related activity/usage information. Direct costs are those costs that are directly attributable to a significant activity. Indirect costs are those costs that cannot be linked in an economically feasible manner to a specific significant activity.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural Assets

There are a number of assumptions and estimates used when determining fair value using optimised Depreciated Replacement Cost (DRC) for infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, sewerage and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset;
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under estimating the annual deprecation charge recognised as an expense in the Statement of Financial Performance. To minimise this risk the Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives the Council further assurance over its useful life estimate.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Provision for Legal Claims against Council

Council's liability in relation to claims relating to alleged weathertightness building defects has not been established. It is not possible to determine the outcome of claims at this stage. The loss provision is based on current knowledge and historic settlement of claims against Council. Refer to note 16 for further information.

Other Estimates and Assumptions

Estimating the Percentage of Completion on Consent Applications

The estimation of percentage of completion relies on management estimating future time and costs to complete consent applications. If the actual time and costs incurred to complete the consent applications differs from the estimates completed by management, the Group could be over or under estimating the revenue and surplus associated with the consent applications.

Valuation of Airport Assets held by QAC

A subsidiary company, Queenstown Airport Corporation, records airport land, airport buildings, airport roads and carparks and runways at fair value. Airport land, buildings, roads and carparks and runways acquired or constructed after the date of the last revaluation are carried at cost, which approximates fair value. Revaluations are carried out by independent valuers with sufficient regularity to ensure that the carrying amount does not differ from the fair value at balance date.

Judgment is required to determine certain inputs to the calculation of the fair value of airport land, buildings, roads and carparks and runways. In particular, income capitalisation rates for assets valued using this methodology and the cost inputs for assets valued using depreciated replacement cost methodology. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time.

Changes to estimates, assumptions or market conditions subsequent to the revaluation would result in changes to the fair value of property, plant and equipment. The carrying value of property, plant and equipment at the last revaluation is disclosed in note 9 and the valuation methodologies used at the last revaluation are disclosed above.

Critical Judgements

Management has exercised the following critical judgements in applying the Council's and Group's accounting policies for the year ended 30 June 2017.

Valuation of Infrastructure Assets

Independent valuations are used to determine the fair value of infrastructural assets. The most common and accepted methods for assessing the fair value of infrastructural assets for public benefit entities is optimised depreciated replacement cost. The determination of fair value relies on various information sources including, but not limited to, various databases recording the nature, location and structure of the infrastructural assets. The valuation in part relies on the accuracy and completeness of such databases for the purposes of determining fair value. The valuation also includes assumptions about forecast replacement costs, including estimated costs for wages and raw materials such as steel and concrete. To the extent the information used in the valuation is proved to be incomplete or inaccurate, including the assumptions relating to replacement costs, this may have an effect on the determination of fair value and the infrastructural assets carrying value may be impacted accordingly.

Valuation of Investment Property

Independent valuations are used to determine the fair value of investment property. The valuations are determined by reference to market based evidence, such as recent sales of properties in the district or discounted cash flows where long term leases are in place.

Classification of Leasehold Properties

Certain investment property held by Council has been approved for sale under restrictive terms and conditions. Council does not view the approval for sale as a declaration of intent, but rather part of the ongoing process of evaluating alternatives for use of Council assets. Notwithstanding the approval for sale, Council have concluded that the intention and expectation of the Council is that the properties will be held primarily to derive a rental return. The approval for sale provided by Council allows flexibility to consider the potential benefits of sale, if and when any potential offer to purchase was received in accordance with the terms and conditions set out by Council. On this basis management assess the continued classification as investment property to be appropriate.

2. Surplus from Operations

(a) Revenue from non-exchange transactions

		Council		Group	
		2017	2016	2017	2016
	Notes	$'000	$'000	$'000	$'000
Revenue from non-exchange transactions consisted of the following items:					
Rates revenue:					
General rates		2,542	2,856	2,539	2,853
Targeted rates		59,483	56,021	59,154	55,729
		62,025	**58,877**	**61,693**	**58,582**
Other revenue:					
User charges - subsidised		4,776	3,622	4,776	3,622
Development contributions		13,112	8,165	12,704	7,886
Grants and subsidies		15,165	9,340	15,165	9,340
Vested assets		8,493	11,648	8,493	11,648
Other revenue		5,724	4,075	5,255	4,075
		47,270	**36,850**	**46,393**	**36,571**

There are no unfulfilled conditions and other contingencies attached to government grants recognised.

2. Surplus from Operations continued

(b) Revenue from exchange transactions

	Notes	Council 2017 $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Revenue from exchange transactions consisted of the following items:					
Other revenue:					
User charges - full cost recovery		23,379	18,055	26,413	20,434
Landing dues		-	-	23,403	19,414
Dividend income		4,699	3,868	-	-
Operating lease rental revenue		-	-	11,330	8,716
Other revenue - full cost recovery		3,240	2,497	4,037	3,364
Finance Income:					
Bank deposits		165	211	212	211
Inland Revenue Department		1	-	1	-
		31,484	**24,631**	**65,396**	**52,139**
Other gains/(losses)					
Gain/(loss) on revaluation of investment property		34,611	9,325	34,611	9,325
Gain/(loss) on disposal of investment property		-	-	-	-
Gain/(loss) on disposal of development property		-	15,048	-	15,048
Gain/(loss) on revaluation of property, plant and equipment		-	-	-	-
Gain/(loss) on disposal of property, plant and equipment		1	39	8	(155)
Gain/(loss) in fair value of shares		4	6	4	6
Gain/(loss) in fair value of forestry assets		-	-	732	200
Gain/(loss) in fair value of forestry investment		-	150	-	-
Gain/(loss) in fair value of derivative financial instruments classified at fair value through profit or loss		898	(1,525)	993	(1,525)
		35,514	**23,043**	**36,348**	**22,899**

2. Surplus from Operations continued

	Notes	Council		Group	
		2017	**2016**	**2017**	**2016**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
(c) Employee benefits expense					
Salaries and wages		20,325	18,384	25,017	21,576
Other employee benefits		-	-	-	-
		20,325	**18,384**	**25,017**	**21,576**
(d) Depreciation and amortisation expense					
Depreciation of property, plant and equipment	9	21,429	21,299	28,180	26,645
Amortisation of intangible assets	11	964	778	1,535	981
		22,393	**22,077**	**29,715**	**27,626**
(e) Finance costs					
Interest on loans		3,771	4,565	5,723	5,698
Other interest expense		-	-	-	-
		3,771	**4,565**	**5,723**	**5,698**
(f) Other expenses					
Increase/(decrease) in allowance for doubtful debts		342	383	357	369
Operating lease rental expenses:					
Minimum lease payments		990	904	990	904
Legal claims against Council	16	2,756	7,662	2,756	7,662
Operating expenses		58,312	50,032	65,423	55,967
		62,400	**58,981**	**69,526**	**64,902**

2. Surplus from Operations continued

For the financial year ended 30 June 2017	Council 2017 $'000	Council 2016 $'000
(g) Summary cost of services by group of activity (Council only)		
(i) Revenue*		
Local Democracy	4,770	3,962
Community	15,229	10,974
Economy	38,073	27,338
Environment	6,809	5,191
Roading and Parking	21,866	14,201
Water Supply	2,513	3,316
Stormwater	2,029	4,344
Wastewater	5,783	4,623
Regulatory	9,462	5,822
Waste Management	5,912	5,322
Other	1,822	(570)
Targeted rates	60,097	56,656
General rates	2,542	2,856
Internal rates	(614)	(634)
Total revenue	**176,293**	**143,401**
(ii) Expenditure*		
Local Democracy	3,221	3,812
Community	24,200	22,503
Economy	7,575	7,557
Environment	13,307	9,923
Roading and Parking	17,875	19,020
Water Supply	8,632	7,910
Stormwater	2,510	2,369
Wastewater	10,892	9,201
Regulatory	12,094	14,272
Waste Management	9,165	7,802
Other	32	272
Internal rates	(614)	(634)
Total operating expenditure	**108,889**	**104,007**

** Revenue and expenditure figures by activity include internal rates for Council owned properties*

For the financial year ended 30 June 2017	Council 2017 $'000	Council 2016 $'000
(iii) Depreciation and amortisation expense		
Local Democracy	11	11
Community	3,818	3,597
Economy	8	9
Environment	-	-
Roading and Parking	8,809	9,469
Water Supply	2,872	2,649
Stormwater	1,877	1,647
Wastewater	3,636	3,552
Regulatory	26	17
Waste Management	120	118
Other	1,216	1,008
Total depreciation and amortisation expense	**22,393**	**22,077**

Each significant activity is stated gross of internal costs and revenues and includes targeted rates attributable to activities. In order to fairly reflect the total external operations for the Council in the Statement of Financial Performance, these transactions are eliminated as shown above.

3. Income Taxes

(a) Income tax recognised in surplus or deficit

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Tax expense/(income) comprises:				
Current tax expense/(credit):				
Current year	-	-	5,242	4,361
Subvention payment	-	-	(555)	-
Adjustments for prior years	-	-	(58)	165
	-	**-**	**4,629**	**4,526**
Deferred tax expense/(credit):				
Origination and reversal of temporary differences	-	-	(314)	2,469
Amortisation of tax component of derivatives	-	-	(95)	(6)
Adjustments for prior years	-	-	30	61
	-	**-**	**(379)**	**2,524**
Total tax expense/(income)	**-**	**-**	**4,250**	**7,050**

During the year ended 30 June 2017, QAC made a subvention payment of $554,541 to QLDC in order to purchase $1.98m of tax losses at 28c per $1.00 of tax loss. These tax losses were used to offset tax payable for the year ended 30 June 2016 and are recognised in current year's tax expense for the Group as a subvention payment.

The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:

	Council 2017 $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Surplus /(deficit) before income tax	67,959	39,394	79,849	50,389
Income tax expense calculated at 28%	19,029	8,489	22,358	14,109
Non assessable income and expenses	(19,029)	(8,489)	(17,704)	(9,946)
Reversal of temporary difference	-	-	116	2,639
Adjustments for prior years	-	-	(26)	219
Subvention payment	-	-	(399)	-
Amortisation of tax component of derivatives	-	-	(95)	-
Other	-	-	-	29
Income tax expense/(credit)	**-**	**-**	**4,250**	**7,050**

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2016: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand law.

3. Income Taxes continued

(b) Income tax recognised directly in other comprehensive income

Deferred tax of $118k (2016: $242k credit) has been charged to other comprehensive income during the year, relating to the fair value movement of derivative financial instruments for Queenstown Airport Corporation. Deferred tax of $2.03m (2016: $2.77m) was charged to other comprehensive income relating to the fair value movement of fixed assets for Queenstown Airport Corporation.

(c) Current tax assets and liabilities

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current tax refundable:				
Current tax refundable	-	1	-	1
Current tax payable:				
Current tax payable	-	-	2,132	1,130

(d) Deferred tax balances comprise

Taxable and deductible temporary differences arising from the following:

	Group				
	Opening balance	Charged to income	Charged to other comprehensive income	Transferred to provision for tax	Closing balance
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross deferred tax asset/(liability):					
Property, plant and equipment	(12,654)	385	(2,027)	-	(14,296)
Intangible assets	(758)	132	-	-	(626)
Employee entitlements	67	36	-	-	103
Derivatives	46	-	(118)	-	(72)
Trade and other payables	64	(253)	-	-	(189)
Gross deferred tax asset/(liability)	**(13,235)**	**300**	**(2,145)**	**-**	**(15,080)**

	Group				
	Opening balance	Charged to income	Charged to other comprehensive income	Transferred to provision for tax	Closing balance
2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross deferred tax asset/(liability):					
Property, plant and equipment	(7,501)	(2,379)	(2,774)	-	(12,654)
Intangible assets	(632)	(126)	-	-	(758)
Employee entitlements	44	23	-	-	67
Derivatives	382	-	242	(578)	46
Trade and other payables	106	(42)	-	-	64
Gross deferred tax asset/(liability)	**(7,601)**	**(2,524)**	**(2,532)**	**(578)**	**(13,235)**

3. Income Taxes continued

(e) Imputation Credit Account Balances

	Council		Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at beginning of year	589	589	12,736	10,802
Taxation paid	-	-	5,270	3,934
Income tax payable	-	-	-	-
Income tax refunded	-	-	-	-
Imputation credits on dividends paid	-	-	(2,436)	(2,005)
Refund of tax	-	-	(638)	-
Prior year adjustment	-	-	-	5
Balance at end of year	**589**	**589**	**14,932**	**12,736**
Imputation credits available directly and indirectly to Council through:				
Council	589	589	589	589
Subsidiaries	-	-	14,343	12,147
	589	**589**	**14,932**	**12,736**

4. Key Management Personnel Compensation

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Councillors				
Remuneration	540	518	540	518
Full-time equivalent members	15	15	15	15
Senior Management Team, including Chief Executive				
Remuneration	987	1,007	2,234	2,070
Full-time equivalent members	5	5	9	9
Directors' fees	-	-	184	184
	1,527	**1,525**	**2,958**	**2,772**

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

5. Remuneration of Auditors

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Audit fees for financial statement audit	175	170	240	216
Audit of long term plan	-	-	-	-
Audit fees for assurance and related services	5	5	30	44
Fees for tax services	10	7	10	7
Fees for other services	31	-	31	-
	221	**182**	**311**	**267**

The auditor of Queenstown Lakes District Council is Deloitte Limited, on behalf of the Controller and Auditor-General.

6. Trade and Other Receivables

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
From non-exchange transactions				
Trade receivables (i)	1,331	932	1,331	932
Infringement receivables (i)	1,564	1,266	1,564	1,266
Rates receivables (i)	3,053	2,261	3,053	2,261
New Zealand Transport Agency	1,910	870	1,910	870
Other (i)	111	125	111	125
Allowance for doubtful debts (ii)	(1,244)	(1,261)	(1,244)	(1,261)
	6,725	**4,193**	**6,725**	**4,193**
From exchange transactions				
Trade receivables (i)	3,376	2,096	5,874	4,758
Other (i)	3,493	3,907	3,493	3,907
Allowance for doubtful debts (ii)	(264)	(216)	(279)	(216)
	6,605	**5,787**	**9,088**	**8,449**
	13,330	**9,980**	**15,813**	**12,642**

(i) Trade receivables, infringement receivables and rates receivables are non-interest bearing and generally on monthly terms.

(ii) The Council has a small provision for impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to the present value of future repayments.

In relation to trade and other receivables (excluding rates), the Group holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

	Council		Group	
Trade and other receivables (excluding rates)	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current (0-30 days)	8,296	6,481	9,927	8,599
31-60 days *	740	388	1,346	759
61-90 days *	354	198	566	404
90 days + *	929	680	963	647
	10,319	**7,747**	**12,802**	**10,409**
Rates receivables				
Current (0-30 days)	984	581	984	581
31 days - 1 year *	1,147	977	1,147	977
1 year + *	880	675	880	675
	3,011	**2,233**	**3,011**	**2,233**
Total receivables	**13,330**	**9,980**	**15,813**	**12,642**

* Amounts are considered past due.

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Disclosed in the financial statements as:				
Current				
Exchange transactions	6,725	4,193	6,725	4,193
Non-exchange transactions	6,605	5,787	9,088	8,449
Non-current	-	-	-	-
	13,330	**9,980**	**15,813**	**12,642**
(iii) Movement in the allowance for doubtful debts:				
Balance at beginning of year	(1,477)	(1,498)	(1,477)	(1,512)
Amounts written off during year	301	384	301	384
Amounts recovered during year	-	-	-	-
Additional allowance recognised in Statement of Financial Performance	(332)	(363)	(347)	(349)
Balance at end of year	**(1,508)**	**(1,477)**	**(1,523)**	**(1,477)**

An allowance has been made for estimated irrecoverable amounts and has been calculated based on expected losses. Expected losses have been determined based on reference to past default experience and review of specific debtors.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group is exposed to credit risk arising from a small number of airlines in relation to outstanding landing fees. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal trading terms of trade.

For Council, the concentration of credit risk is limited due to the customer base being large and unrelated. The Council and Group believe no further credit provision is required in excess of the allowance for doubtful debts.

7. Other Financial Assets

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Other investments held	1,408	1,243	1,408	1,243
Advances to community organisations	727	727	727	727
Term deposits	10,000	-	10,000	-
Short term investments	13	13	13	13
Interest rate swaps (i)	-	-	239	-
Foreign exchange forward contracts (ii)	-	-	24	-
	12,148	**1,983**	**12,411**	**1,983**
Represented by:				
Current	10,013	13	10,013	13
Non-current	2,135	1,970	2,398	1,970
	12,148	**1,983**	**12,411**	**1,983**

(i) QAC holds four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016. Refer also to note 15. (2016: four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016). The interest rates range from 2.345%-2.623% (2016: 2.345%-2.623%).

QAC designated the interest rate swaps as effective hedges in accordance with PBE IPSAS 29. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive revenue and expense and accumulated as a separate component of equity in the hedging reserve. All financial liabilities are recognised at amortised cost except interest rate swaps which are recognised at fair value through surplus or deficit.

(ii) The notional principal amounts of outstanding forward foreign exchange contracts held by QAC were $1.1m (2016: $nil).

8. Other Current Assets

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Prepayments	797	823	1,189	990
	797	**823**	**1,189**	**990**

9. Property, Plant and Equipment

	Council 2017										
	Cost/ valuation	Additions	Disposals/ write offs	Revaluations	Cost/ valuation	Accumulated depreciation and impairment charges	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense	Accumulated depreciation reversed on disposal	Accumulated depreciation and impairment charges	Carrying amount
	1-Jul-16				30-Jun-17	1-Jul-16				30-Jun-17	30-Jun-17
	$'000s	$'000s	$'000s		$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Council operational assets											
At cost											
Land	75,198	2,247	-	-	77,445	-	-	-	-	-	77,445
Buildings	63,640	7,190	-	-	70,830	(12,892)	-	(1,180)	-	(14,072)	56,758
Building improvements	36,702	2,585	-	-	39,287	(19,253)	-	(1,913)	-	(21,166)	18,121
Plant and machinery	9,742	1,588	(243)	-	11,087	(5,306)	-	(656)	140	(5,822)	5,265
Motor vehicles	760	-	(389)	-	371	(555)	-	(41)	332	(264)	107
Furniture and office equipment	5,116	331	-	-	5,447	(4,090)	-	(201)	-	(4,291)	1,156
Computer equipment	3,192	317	-	-	3,509	(2,767)	-	(163)	-	(2,930)	579
Library books	3,814	254	-	-	4,068	(3,585)	-	(228)	-	(3,813)	255
Total operational assets	**198,164**	**14,512**	**(632)**	**-**	**212,044**	**(48,448)**	**-**	**(4,382)**	**472**	**(52,358)**	**159,686**
Council infrastructural assets											
At fair value											
Water supply	132,920	5,083	-	9,482	147,485	(7,377)	7,378	(2,872)	-	(2,871)	144,614
Sewerage	182,625	9,950	-	2,015	194,590	(10,071)	10,071	(3,636)	-	(3,636)	190,954
Stormwater	103,249	5,379	-	17,454	126,082	(4,808)	4,808	(1,877)	-	(1,877)	124,205
Roading	516,005	20,128	-	(24,123)	512,010	(26,508)	26,507	(8,662)	-	(8,663)	503,347
Total infrastructural assets	**934,799**	**40,540**	**-**	**4,828**	**980,167**	**(48,764)**	**48,764**	**(17,047)**	**-**	**(17,047)**	**963,120**
Total Council property, plant and equipment	**1,132,963**	**55,052**	**(632)**	**4,828**	**1,192,211**	**(97,212)**	**48,764**	**(21,429)**	**472**	**(69,405)**	**1,122,806**

9. Property, Plant and Equipment

	Council 2016								
	Cost/ valuation 1-Jul-15 $'000s	Additions $'000s	Disposals/ write offs $'000s	Cost/ valuation 30-Jun-16 $'000s	Accumulated depreciation and impairment charges 1-Jul-15 $'000s	Depreciation expense $'000s	Accumulated depreciation reversed on disposal $'000s	Accumulated depreciation and impairment charges 30-Jun-16 $'000s	Carrying amount 30-Jun-16 $'000s
Council operational assets									
At cost									
Land	73,758	1,440	-	75,198	-	-	-	-	75,198
Buildings	53,291	10,349	-	63,640	(11,718)	(1,174)	-	(12,892)	50,748
Building improvements	35,003	1,699	-	36,702	(17,418)	(1,835)	-	(19,253)	17,449
Plant and machinery	9,537	205	-	9,742	(4,671)	(635)	-	(5,306)	4,436
Motor vehicles	715	67	(22)	760	(535)	(34)	13	(556)	204
Furniture and office equipment	4,774	342	-	5,116	(3,909)	(181)	-	(4,090)	1,026
Computer equipment	3,011	181	-	3,192	(2,641)	(126)	-	(2,767)	425
Library books	3,590	224	-	3,814	(3,441)	(144)	-	(3,585)	229
Total operational assets	**183,679**	**14,508**	**(22)**	**198,164**	**(44,333)**	**(4,129)**	**13**	**(48,449)**	**149,715**
Council infrastructural assets									
At fair value									
Water supply	127,292	5,628	-	132,920	(4,729)	(2,648)	-	(7,377)	125,543
Sewerage	161,471	21,154	-	182,625	(6,519)	(3,552)	-	(10,071)	172,554
Stormwater	98,695	4,554	-	103,249	(3,161)	(1,647)	-	(4,808)	98,441
Roading	504,815	11,190	-	516,005	(17,184)	(9,323)	-	(26,507)	489,498
Total infrastructural assets	**892,273**	**42,525**	**-**	**934,799**	**(31,593)**	**(17,170)**	**-**	**(48,763)**	**886,036**
Total Council property, plant and equipment	**1,075,952**	**57,033**	**(22)**	**1,132,963**	**(75,926)**	**(21,299)**	**13**	**(97,212)**	**1,035,751**

9. Property, Plant and Equipment

	Group 2017											
	Cost/ valuation 1-Jul-16 $'000s	Additions $'000s	Disposals/ write offs $'000s	Revaluation	Cost/ valuation 30-Jun-17 $'000s	Accumulated depreciation and impairment charges 1-Jul-16 $'000s	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense $'000s	Accumulated depreciation reversed on disposal $'000s	Other $'000s	Accumulated depreciation and impairment charges 30-Jun-17 $'000s	Carrying amount 30-Jun-17 $'000s
Group operational sssets												
At cost												
Land	75,198	2,247	-	-	77,445	-	-	-	-	-	-	77,445
Buildings	63,640	7,190	-	-	70,830	(12,892)	-	(1,180)	-	-	(14,072)	56,758
Building improvements	36,702	2,585	-	-	39,287	(19,253)	-	(1,913)	-	-	(21,166)	18,121
Plant and machinery	16,194	3,711	(338)	-	19,567	(9,242)	-	(1,382)	140	191	(10,293)	9,274
Motor vehicles	3,507	20	(466)	-	3,061	(2,024)	-	(210)	369	22	(1,843)	1,218
Furniture and office equipment	10,236	672	(137)	-	10,771	(6,505)	-	(645)	-	137	(7,013)	3,758
Computer equipment	3,192	317	-	-	3,509	(2,767)	-	(163)	-	-	(2,930)	579
Library books	3,815	254	-	-	4,069	(3,586)	-	(228)	-	-	(3,814)	255
Total operational assets	**212,484**	**16,996**	**(941)**	**-**	**228,539**	**(56,269)**	**-**	**(5,721)**	**509**	**350**	**(61,131)**	**167,408**
Airport assets at fair value												
Land	136,392	13,859	-	24,816	175,067	-	-	-	-	-	-	175,067
Land improvements	10,009	-	(241)	928	10,696	(241)	241	(139)	-	-	(139)	10,557
Building	53,508	1,926	(3,879)	1,349	52,904	(3,879)	3,879	(2,726)	-	-	(2,726)	50,178
Airport runway	37,091	732	(1,934)	2,704	38,593	(1,934)	1,934	(1,695)	-	-	(1,695)	36,898
Roading and carparking	12,938	3,812	(1,132)	2,258	17,876	(1,037)	1,037	(852)	-	-	(852)	17,024
Total airport assets	**249,938**	**20,329**	**(7,186)**	**32,055**	**295,136**	**(7,091)**	**7,091**	**(5,412)**	**-**	**-**	**(5,412)**	**289,724**
Group infrastructural assets												
At fair value												
Water supply	132,920	5,083	-	9,482	147,485	(7,377)	7,378	(2,872)	-	-	(2,871)	144,614
Sewerage	182,627	9,950	-	2,015	194,592	(10,071)	10,071	(3,636)	-	-	(3,636)	190,956
Stormwater	103,248	5,379	-	17,454	126,081	(4,808)	4,808	(1,877)	-	-	(1,877)	124,204
Roading	516,004	20,128	-	(24,123)	512,009	(26,508)	26,507	(8,662)	-	-	(8,663)	503,346
Total infrastructural assets	**934,799**	**40,540**	**-**	**4,828**	**980,167**	**(48,764)**	**48,764**	**(17,047)**	**-**	**-**	**(17,047)**	**963,120**
Total group property, plant and equipment	**1,397,221**	**77,865**	**(8,127)**	**36,883**	**1,503,842**	**(112,124)**	**55,855**	**(28,180)**	**509**	**350**	**(83,590)**	**1,420,252**

9. Property, Plant and Equipment

	Group 2016									
	Cost/ valuation 1-Jul-15 $'000s	Additions $'000s	Disposals/ write offs $'000s	Revaluation	Cost/ valuation 30-Jun-16 $'000s	Accumulated depreciation and impairment charges 1-Jul-15 $'000s	Depreciation expense $'000s	Accumulated depreciation reversed on disposal $'000s	Accumulated depreciation and impairment charges 30-Jun-16 $'000s	Carrying amount 30-Jun-16 $'000s
Group operational assets										
At cost										
Land	73,758	1,440	-	-	75,198	-	-	-	-	75,198
Buildings	53,291	10,349	-	-	63,640	(11,718)	(1,174)	-	(12,892)	50,748
Building improvements	35,003	1,699	-	-	36,702	(17,418)	(1,835)	-	(19,253)	17,449
Plant and machinery	15,611	583	-	-	16,194	(8,029)	(1,213)	-	(9,242)	6,952
Motor vehicles	3,044	485	(22)	-	3,507	(1,868)	(169)	13	(2,024)	1,483
Furniture and office equipment	9,785	451	-	-	10,236	(5,826)	(679)	-	(6,505)	3,731
Computer equipment	3,011	181	-	-	3,192	(2,641)	(126)	-	(2,767)	425
Library books	3,591	224	-	-	3,815	(3,442)	(144)	-	(3,586)	229
Total operational assets	**197,094**	**15,412**	**(22)**	**-**	**212,484**	**(50,942)**	**(5,340)**	**13**	**(56,269)**	**156,215**
Airport assets at fair value										
Land	106,743	1,064	-	28,585	136,392	-	-	-	-	136,392
Land improvements	9,768	-	-	241	10,009	(98)	(143)	-	(241)	9,768
Building	49,443	3,018	(23)	1,070	53,508	(1,381)	(2,498)	-	(3,879)	49,629
Airport runway	18,179	15,744	(170)	3,338	37,091	(939)	(995)	-	(1,934)	35,157
Roading and carparking	7,301	501	-	5,136	12,938	(539)	(498)	-	(1,037)	11,901
Total airport assets	**191,434**	**20,327**	**(193)**	**38,370**	**249,938**	**(2,957)**	**(4,134)**	**-**	**(7,091)**	**242,847**
Group infrastructural assets										
At fair value										
Water supply	127,292	5,628	-	-	132,920	(4,729)	(2,648)	-	(7,377)	125,543
Sewerage	161,473	21,154	-	-	182,627	(6,519)	(3,552)	-	(10,071)	172,556
Stormwater	98,694	4,554	-	-	103,248	(3,161)	(1,647)	-	(4,808)	98,440
Roading	504,814	11,190	-	-	516,004	(17,185)	(9,323)	-	(26,508)	489,496
Total infrastructural assets	**892,273**	**42,526**	**-**	**-**	**934,799**	**(31,594)**	**(17,170)**	**-**	**(48,764)**	**886,035**
Total Group property, plant and equipment	**1,280,801**	**78,265**	**(215)**	**38,370**	**1,397,221**	**(85,493)**	**(26,644)**	**13**	**(112,124)**	**1,285,097**

9. Property, Plant and Equipment continued

(i) Impairment losses are included in the line item 'impairment of non-current assets' in the Statement of Financial Performance. Impairment losses recognised during the period were $nil (2016: $nil).
(ii) Sewer, stormwater and water supply assets are stated at valuation which is optimised depreciated replacement cost value as at 1 July 2016 by Rationale, independent valuers. Acquisitions subsequent to 1 July 2016 are at cost.
(iii) Roading assets are stated at valuation which is optimised depreciated replacement cost value as at 1 July 2016 by Beca Projects New Zealand Limited, independent valuers. Acquisitions subsequent to 1 July 2016 are at cost.
(iv) Airport assets held by QAC comprising land, buildings, runways, roading and carparking assets were revalued as at 30 June 2017 as set out below. Runway assets were valued by Beca Valuations Limited. Other airport assets at fair value were valued by Seagar and Partners.

Asset	**Valuation Approach**
Terminal and fire rescue buildings	Optimised depreciated replacement cost
Runway and aprons	Optimised depreciated replacement cost
Land, roading and carparking	Market value
Ground leases and commercial buildings	Market value

Assets under construction

The following asset classes include expenditure for assets in the course of construction at 30 June:	**Council** 2017 $'000	**Council** 2016 $'000	**Group** 2017 $'000	**Group** 2016 $'000
Land	-	-	4,447	3,665
Buildings	5,538	12,900	6,028	13,122
Building Improvements	1,311	998	1,311	998
Plant and Equipment	-	9	679	455
Computer Equipment	-	19	-	19
Furniture and Office Equipment	-	-	-	-
Library Books	-	-	-	-
Airport Runway	-	-	-	-
Water Supply	4,124	4,333	4,124	4,333
Sewerage	5,993	26,951	5,993	26,951
Stormwater	5,239	875	5,239	875
Roading & Carparking	16,713	6,953	20,548	7,370
	38,918	**53,038**	**48,369**	**57,788**

10. Forestry Assets

	Council 2017 $'000	**Council** 2016 $'000	**Group** 2017 $'000	**Group** 2016 $'000
Balance at beginning of year	-	-	1,117	917
Increases due to purchases	-	-	-	-
Gains/(losses) arising from changes in fair value less estimated point of sales costs	-	-	732	200
Balance at end of year	**-**	**-**	**1,849**	**1,117**

Through its investment in Lakes Combined Afforestation Trust, the Council owns a 75% share of 172.5 hectares of Douglas Fir forest which are at varying stages of maturity ranging from 20 to 31 years of age.

No forests have been harvested during the period (2016: nil).

Independent registered valuers, Laurie Forestry, have valued forestry assets at $1,849,000 (2016: $1,117,000). A pre-tax discount rate of 8.5% has been used in discounting the present value of the expected cash flows.

Financial risk management strategies

The Group is exposed to financial risks arising from changes in timber prices. The Group is a long term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore the Group has not taken any measures to manage the risks of a decline in timber prices. The Group reviews its outlook on timber prices regularly in considering the need for active financial risk management.

11. Intangible Assets

(a) Finite life intangible assets

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at beginning of year	4,291	3,915	7,829	6,690
Additions	360	376	1,152	1,139
Transfer to property, plant and equipment	-	-	(384)	-
Balance at end of year	**4,651**	**4,291**	**8,597**	**7,829**
Accumulated amortisation & impairment				
Balance at beginning of year	3,014	2,236	3,479	2,497
Amortisation expense (i)	964	778	1,535	982
Transfer to property, plant and equipment	-	-	(15)	-
Balance at end of year	**3,978**	**3,014**	**4,999**	**3,479**
Net book value	**673**	**1,277**	**3,598**	**4,350**

(i) Amortisation expense is included in the line 'depreciation and amortisation expense' in the Statement of Financial Performance.

The gross carrying amount of $8,597,000 for the Group comprises:

- The finite life intangible asset of $4,651,000 represents costs incurred by the Queenstown Lakes District Council for computer software. These costs are being amortised on a straight line basis at 33%.
- The finite life intangible asset of $3,946,000 represents costs incurred by the Queenstown Airport Corporation Limited in relation to district planning processes for extension of noise boundaries, amendments to flight fans and evening flight safety cases. These costs will be amortised on a straight line basis over 6-9 years, 15 years and 1-2 years respectively from the date they are completed and ready to use.

12. Investment Property

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of year	75,525	66,200	75,525	66,200
Additions from subsequent expenditure	69	-	69	-
Sale of property	-	-	-	-
Reclassified to property, plant and equipment	-	-	-	-
Net gain/(loss) from fair value adjustments	34,611	9,325	34,611	9,325
Balance at end of year	**110,205**	**75,525**	**110,205**	**75,525**

The fair value of the Council's investment property at 30 June 2017 has been arrived at on the basis of a valuation carried out at that date by Mr Greg Simpson (ANZIV/SPINZ), an independent registered valuer from QV Valuations not related to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties, as well as consideration of the zone change for the Lakeview site.

QV Valuations is an experienced valuation firm with extensive market knowledge in the types of investment properties owned by the Council.

13. Trade and Other Payables

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade payables (i)	11,294	14,253	11,816	15,670
Other accrued charges	6,935	5,479	11,101	7,501
Deposits and bonds	4,389	4,262	4,389	4,262
Other	-	-	-	-
	22,618	**23,994**	**27,306**	**27,433**

(i) The average credit period on purchases is 30 days.

14. Borrowings

	Council		Group	
	2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
At amortised cost				
Bank borrowings (secured) (i), (ii)	-	-	47,000	39,010
Bonds (secured) (i), (iv)	92,649	75,851	92,649	75,851
Other borrowings (iii)	40	60	40	60
	92,689	**75,911**	**139,689**	**114,921**
Disclosed in the financial statements as:				
Current	17,223	223	17,223	223
Non-current	75,466	75,688	122,466	114,698
	92,689	**75,911**	**139,689**	**114,921**

(i) Council borrowings are secured through a debenture trust deed over rates, as well as security stock certificates of $164m (2016: $164m). No bank borrowings were drawn down as at 30 June 2017 (2016: nil).

(ii) Queenstown Airport Corporation Ltd (QAC) loans of $47m are secured by a first debenture charge over QAC assets and also a registered first mortgage over all QAC property.

(iii) The Council has an interest free loan from the Community Trust of Southland which is repayable within 5 years. The balance outstanding at 30 June 2017 was $40,000 of which $20,000 is repayable within 1 year.

(iv) Bonds - New Zealand Local Government Funding Agency.

During the 2012/13 year there were four bond issues of $10m (total $40m) with maturity dates of 15/12/2017, 15/3/2019, 15/3/2019 and 15/5/2021 and interest rates of 4.45%, 4.24%, 4.36% and 4.57% respectively.

During the 2013/14 year there was one bond issue of $10m with a maturity date of 15/5/2021 and an interest rate of 5.85%.

During the 2014/15 year there was one bond issue of $10m with a maturity date of 15/5/2023 and an interest rate of 5.44%.

During the 2015/16 year there were two bond issues of $5m and $10m with maturity dates of 16/9/2020 and 16/9/2025 and interest rates of 2.87% and 3.04% respectively.

Queenstown Lakes District Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. It has a current credit rating from both Standard and Poors and Fitch rating agencies of AA+.

NZLGFA shareholders consist of the New Zealand Government (20%) and 30 local authority shareholders (80%). The New Zealand Government shareholding is fully paid. The uncalled capital of local authority shareholders is $20m and this is available in the event that an imminent default is identified. Also, together with the shareholders and guarantors, the Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2017, NZLGFA had borrowings totalling $7,946m (2016: $6,501m).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- we are not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

15. Other Financial Liabilities

	Council		Group	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Interest rate swaps (i), (ii)	1,560	2,458	1,560	2,618
	1,560	**2,458**	**1,560**	**2,618**
Disclosed in the financial statements as:				
Current	262	-	262	-
Non-current	1,298	2,458	1,298	2,618
	1,560	**2,458**	**1,560**	**2,618**

(i) The Council holds three interest rate swap agreements, one for $15m and two for $10m, which are effective from 16 March 2015, 11 December 2013 and 11 December 2018 (2016: two interest rate swap agreements, one for $15m and one for $10m, which are effective from 16 March 2015 and 11 December 2013). The interest rate is fixed at 4.355%, 3.955% and 3.595% respectively (2016: 4.355% and 3.955% respectively).

(ii) QAC holds four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016. Refer also to note 7. (2016: four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016). The interest rates range from 2.345%-2.623% (2016: 2.345%-2.623%).

QAC designated the interest rate swaps as effective hedges in accordance with PBE IPSAS 29. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive revenue and expense and accumulated as a separate component of equity in the hedging reserve. All financial liabilities are recognised at amortised cost except interest rate swaps which are recognised at fair value through surplus or deficit.

16. Other Liabilities

	Council		Group	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Income in advance (i)	3,996	4,034	4,040	4,051
Rates in advance	490	443	490	443
Other provisions (ii)	3,800	4,000	3,800	4,000
Other liabilities	-	-	115	141
	8,286	**8,477**	**8,445**	**8,635**
Disclosed in the financial statements as:				
Current	8,286	8,477	8,330	8,494
Non-current	-	-	115	141
	8,286	**8,477**	**8,445**	**8,635**

(i) Income in advance consists of grants in advance and initial fees received for resource and building consents representing amounts for services yet to be completed.

(ii) This represents estimated losses for claims against Council. Council has been joined as a party in these claims, which relate to alleged weathertightness building defects. Claims are dealt with on a case by case basis. Council's liability in relation to these claims has not been established and it is not possible to determine the outcome of the claims at this stage. A loss provision has been recognised based on current knowledge and historic settlement of claims. Note that any claims received subsequent to 30 June 2009 are not covered by insurance. Other claims covered by insurance are subject to a cap as to the level of cover provided.

17. Employee Entitlements

	Council		Group	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Accrued salary and wages	417	370	919	529
Annual leave	888	866	1,255	1,122
	1,305	**1,236**	**2,174**	**1,651**
Disclosed in the financial statements as:				
Current	1,305	1,236	2,174	1,651
Non-current	-	-	-	-
	1,305	**1,236**	**2,174**	**1,651**

18. Reserves

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Revaluation reserve (a)	518,248	430,044	647,431	536,703
Operating reserves (b)	15,866	14,616	15,866	14,616
Capital reserves (c)	21,260	21,329	21,260	21,329
Cash flow hedge reserve (d)	-	-	(612)	(989)
	555,374	**465,989**	**683,945**	**571,659**

This note contains the portion of reserves attributable to Council. Refer to note 20 for the movement of reserves at a Group level that are attributable to the non-controlling interest.

(a) Revaluation reserve

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of year	430,044	420,719	536,703	500,712
Revaluation of roading assets	2,384	-	2,384	-
Revaluation of sewerage assets	12,086	-	12,086	-
Revaluation of water supply assets	16,860	-	16,860	-
Revaluation of stormwater assets	22,263	-	22,263	-
Revaluation of airport assets, net of deferred tax	-	-	22,524	26,701
Transferred from/(to) accumulated surplus:				
Revaluation of investment property	34,611	9,325	34,611	9,325
Reclassificiation in accumulated surplus	-	-	-	(35)
Balance at end of year	**518,248**	**430,044**	**647,431**	**536,703**

The revaluation reserve arises on the revaluation of Council infrastructural assets, investment property, shares, and QAC land, building, runway, and roading and carparking assets.

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Individual reserve balances are as follows:				
Investment property	100,032	65,421	100,032	65,421
Roading	158,140	155,756	158,140	155,756
Sewerage	87,322	75,236	87,322	75,236
Water supply	85,387	68,527	85,387	68,527
Stormwater	87,367	65,104	87,367	65,104
Airport assets	-	-	129,183	106,659
	518,248	**430,044**	**647,431**	**536,703**

(b) Operating reserves

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of year	14,616	16,058	14,616	16,058
Transferred from/(to) accumulated surplus:				
Contributions	13,354	8,166	13,354	8,166
Other	(12,104)	(9,608)	(12,104)	(9,608)
Balance at end of year	**15,866**	**14,616**	**15,866**	**14,616**

An operating reserve is used to finance specific activities. It can be used for operating and capital expenditure items and is generated from ongoing revenue sources.

(c) Capital reserves

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of year	21,329	9,855	21,329	9,855
Transferred from/(to) accumulated surplus:				
Contributions	16,630	29,672	16,630	29,672
Disbursements	(16,699)	(18,198)	(16,699)	(18,198)
Balance at end of year	**21,260**	**21,329**	**21,260**	**21,329**

Capital reserves are used to fund a variety of activities. They can only be used for major capital additions and debt repayment, and are generated from a single or infrequent revenue source.

(d) Cash flow hedge reserve

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	(989)	(508)
Gain/(loss) recognised on cash flow hedges:				
Interest rate swaps	-	-	299	(648)
Forward foreign exchange contracts	-	-	18	-
Realised losses transferred to Statement of Financial Performance	-	-	149	(15)
Income tax related to gains/losses recognised in other comprehensive income	-	-	(89)	182
Balance at end of year	**-**	**-**	**(612)**	**(989)**

18. Reserves continued

(e) Reserve funds held for a specific purpose

	Opening Balance 1 July 2016 $'000	Deposits $'000	Withdrawals $'000	Closing Balance 30 June 2017 $'000
Development funds These arise from development and financial contributions levied by the Council for capital works and are intended to contribute to the growth related capital expenditure for roading, water supply, sewerage, stormwater, reserve land and improvements, and community facilities	14,616	13,354	12,104	15,866
Asset renewal funds The Council sets aside funding to meet the renewal of its infrastructural and operating assets to ensure the continued ability to provide services.	396	11,607	11,587	416
Transport Improvement Fund Funds set aside to subsidise public transport and the development of public transport infrastructure.	-	324	-	324
Asset sale reserves Proceeds from asset sales which are used to fund the portion of capital expenditure attributable to increased level of service for roading, water supply, sewerage, stormwater, reserve land and improvements, and community facilities.	16,355	-	-	16,355
Arrowtown endowment land reserve Proceeds from assets sales from Arrowtown endowment land.	740	-	-	740
Trust funds Funds held on behalf of various community organisations.	17	-	-	17
Queenstown Airport dividend reserve Unallocated portion of dividends received from QAC.	625	4,699	5,112	212
Lakes Leisure reserve Funds transferred from Lakes Leisure at dis-establishment that are to be used to fund charitable purposes in line with the company's constitution.	3,196	-	-	3,196
Total Council reserve funds	**35,945**	**29,984**	**28,803**	**37,126**
QAC cash flow hedge reserve	(989)	466	89	(612)
Total Council reserve funds	**34,956**	**30,450**	**28,892**	**36,514**

19. Accumulated Funds

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of year	558,581	538,544	596,485	574,458
Net surplus	67,959	39,394	72,398	41,349
Transfers from/(to) reserves:				
Revaluation reserve	(34,611)	(9,325)	(34,611)	(9,290)
Operating reserves	(1,250)	1,442	(1,250)	1,442
Capital reserves	69	(11,474)	69	(11,474)
Balance at end of year	**590,748**	**558,581**	**633,091**	**596,485**

20. Non-Controlling Interest

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	49,915	40,477
Share of surplus for year	-	-	3,201	1,990
Dividends paid	-	-	(1,565)	(1,288)
Share of other comprehensive income	-	-	7,630	8,736
Balance at end of year	**-**	**-**	**59,181**	**49,915**

21. Commitments for Expenditure

(a) Capital expenditure commitments

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Queenstown Lakes District Council (i)	23,858	11,816	23,858	11,816
Queenstown Airport Corporation Limited	-	-	1,348	1,641
Balance at end of year	**23,858**	**11,816**	**25,206**	**13,457**

(i) Council has a significant capital works programme scheduled for 2017/18. Major projects contracted as at 30 June 2017 included Eastern Access Road ($11.5m) and the Wanaka Aquatic Centre ($7.8m).

(b) Lease commitments

No finance lease liabilities exist. Non-cancellable operating lease commitments are disclosed in note 23 to the financial statements.

22. Contingent Liabilities and Contingent Assets

Council

(a) Legal claims

Refer to note 16 for information regarding the provision for existing legal claims against Council. A significant degree of estimation has been involved to calculate the provision. As a result Council may be subject to further liability that is not currently recognised.

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Queenstown Lakes District Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 1 of which is located within the Queenstown Lakes District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

(b) Guarantees

Queenstown Lakes District Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+. See Note 14 (iv) for further details.

Queenstown Airport Corporation Limited

(c) Noise mitigation

QAC is implementing plans to assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise zones. The focus for the current year was to agree customised noise mitigation packages for these homes and works have commenced on several of the houses. As at 30 June 2017, QAC has made 11 offers to homeowners, of which 7 have been accepted. The cost of delivering the 7 accepted offers is estimated at $594k which has been disclosed as a capital commitment in note 21. QAC has also been finalising mechanical ventilation package specifications for the 'Mid Noise Sector' houses and will begin a consultation process with homeowners over the next 12 months.

Noise levels are monitored regularly and as the noise zones expand, further offers will be made. QAC estimates approximately 180 properties will be offered noise mitigation under the approved/consented boundaries. As it is not possible to predict accurately the rate of change in aircraft noise levels over time, nor the rate of acceptance of offers of mitigation packages to homeowners, QAC cannot accurately predict the overall cost or timing or mitigation work.

23. Leases

(a) Leasing arrangements

Operating leases relate to the rental of office and computer equipment, motor vehicles and office buildings. All operating lease contracts contain market review clauses in the event that the Council/Group exercises its option to renew. The Council/Group does not have an option to purchase the leased asset at the expiry of the lease period.

(b) Non-cancellable operating lease payments

	Council		Group	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Not longer than 1 year	919	888	958	909
Longer than 1 year and not longer than 5 years	1,785	1,896	1,845	1,951
Longer than 5 years	794	608	794	608
Balance at end of year	**3,498**	**3,392**	**3,597**	**3,468**

(c) Non-cancellable operating lease receipts

	Council		Group	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Not longer than 1 year	4,466	3,457	13,589	10,415
Longer than 1 year and not longer than 5 years	10,735	9,687	27,134	25,990
Longer than 5 years	36,403	16,101	41,498	19,958
Balance at end of year	**51,604**	**29,245**	**82,221**	**56,363**

24. Investment in Council Controlled Organisations (CCO's)

	Council		Group	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Queenstown Airport Corporation Limited	5,412	5,412	-	-
Lakes Combined Afforestation Committee	838	838	-	-
	6,250	**6,250**	**-**	**-**

	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %	Principal activity of the entity
Council				
Queenstown Lakes District Council (QLDC) (i)	NZ			
CCO's:				
Queenstown Airport Corporation Limited (QAC) (ii)	NZ	75.01%	75.01%	Airport operator
Lakes Combined Afforestation Committee	Not incorporated	75%	75%	Forestry
Queenstown Events Centre Trust (iii)	NZ	N/A	N/A	Charitable trust

(i) Queenstown Lakes District Council is the head entity within the consolidated group. QLDC holds the Group's interest in the other CCO's detailed above.

(ii) On 19 August 2016 a final dividend for the year ended 30 June 2016 of $0.3278 per share (total dividend $5,264,124) was paid to holders of fully paid ordinary shares. QLDC's share of this dividend was $3,948,619.
On 20 February 2017 an interim dividend for the year ended 30 June 2017 of $0.0623 per share (total dividend $1,000,000) was paid to holders of fully paid ordinary shares. QLDC's share of this dividend was $750,100.

(iii) Not trading

All entities in the Group have 30 June balance dates.

There are no significant restrictions on the ability of CCO's to transfer funds to QLDC in the form of cash distributions or to repay loans or advances.

25. Subsequent Events

Queenstown Airport Corporation Ltd (QAC)

On 22 August 2017 the QAC Board resolved to pay a final dividend for the year ended 30 June 2017 of $0.3841 per share, resulting in a dividend of $6,169,007 (2016: $5,264,124). QLDC's share of this was $4,627,372 (2016: $3,948,619).

There were no other significant events after balance date.

26. Related Party Disclosures

(a) Council

The Council (QLDC) is the ultimate parent of the Group.

(b) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

(c) Transactions with related parties

Transactions involving the Group

During the year the following (payments)/receipts were made (to)/from related parties which were conducted on normal commercial terms:

26. Related Party Disclosures continued

	Group 2017 $'000	Group 2016 $'000
The following transactions took place between QLDC and related parties:		
Queenstown Airport Corporation Limited *		
Payment of rates on its property	332	295
Resource consent costs and collection fees	22	4
Development contributions	408	279
Payment for construction works	549	-
Rent - NASA lease	24	-
Other	8	5
Wanaka airport management fee	230	(159)
Dividends	4,699	3,868
Balances owed (to) / from at 30 June 2017 were:		
Owed to Queenstown Airport Corporation Ltd	-	(25)
Owed from Queenstown Airport Corporation Ltd	957	3

*There are no Councillors in Queenstown Lakes District Council who own shares in Auckland International Airport which has a non-controlling interest in Queenstown Airport Corporation Ltd.

	2017	2016
The following transactions took place between Queenstown Airport Corporation and related parties:		
Hadley Consultants Limited (J Hadley, Director) - Consulting	(2)	-
Auckland International Airport Ltd		
- Rescue fire training	(50)	(14)
- Purchase of fire appliance	-	(110)
Warbirds over Wanaka Community Trust (J Gilks, Trustee)		
- Contributions towards entrance display	-	(1)
Aviation Security Service (G Lilly, Director)		
- Airport security cards	(7)	(5)
- Rental, power recovery and parking revenue	194	167
Civil Aviation Of New Zealand (G Lilly, Director) - CAA Certification Audit Fees	(9)	(12)
ISPS Handa NZ Golf Open (N Thompson, Committee member) - Sponsorship	(10)	(15)
Balances owed (to)/from at 30 June 2017 were:		
Owed to CAA	-	(4)
Owed to Auckland International Airport Ltd	10	-
Owed from Aviation Security Service	3	4

Other transactions involving related parties

1. QLDC's netball courts and six holes of the Frankton golf course are located on QAC land to the north west of the runway. Revenue from this arrangement amounted to $25,000 (2016: $25,000).
2. Queenstown Airport Corporation receives services from Auckland International Airport Ltd for which no consideration is paid.

Transactions eliminated on consolidation

Related party transactions and outstanding balances with other entities in the Group are disclosed in an entity's financial statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

27. Notes to the Statement of Cash Flows

	Council		Group	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash in bank and other short-term highly liquid deposits that are readily convertible to a known amount of cash, net of outstanding bank overdrafts. As required under the Construction Contracts Act 2002, cash includes retentions of $1,369,716 for Council and $1,881,886 for Group held on trust which are payable by the Council/Group respectively on completion of contractual obligations by third parties. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Council 2017 $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Cash and cash equivalents	6,326	5,009	7,241	5,930
Bank overdraft	-	-	-	-
	6,326	**5,009**	**7,241**	**5,930**

(b) Borrowings - facilities

Details of the amounts drawn down on the available borrowing facility are as follows:

	Council 2017 $'000	Council 2016 $'000	Group 2017 $'000	Group 2016 $'000
Amount used	92,000	75,000	139,000	131,010
Amount unused	12,000	12,000	15,000	22,990
	104,000	**87,000**	**154,000**	**154,000**

27. Notes to the Statement of Cash Flows continued

		Council		Group	
		2017	**2016**	**2017**	**2016**
		$'000	**$'000**	**$'000**	**$'000**
(c)	Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities				
	Surplus for the year	67,959	39,394	75,599	43,339
	Add/(less) non-cash items:				
	Depreciation and amortisation	22,393	22,077	29,715	27,626
	Loss provision	(200)	4,000	(200)	4,000
	Vested assets	(8,493)	(11,648)	(8,493)	(11,648)
	(Gain)/loss on sale of property, plant & equipment	(1)	(39)	(8)	155
	(Gain)/loss on revaluation of property, plant & equipment	-	-	-	-
	(Gain)/loss on revaluation of forestry investment	-	(150)	(732)	(200)
	(Gain)/loss on revaluation of investment property	(34,611)	(9,325)	(34,611)	(9,325)
	(Gain)/loss on sale of investment property	-	-	-	-
	(Gain)/loss on sale of development property	-	(15,048)	-	(15,048)
	Net change in fair value of derivative financial instruments	(898)	1,525	(993)	1,525
	(Gain)/loss on revaluation of shares	(4)	(6)	(4)	(6)
	Reclassification of assets under construction	-	-	-	-
	Other	-	-	294	(19)
		46,145	**30,780**	**60,567**	**40,399**
	Movement in working capital:				
	Trade and other receivables	(3,350)	3,002	(4,101)	2,222
	Inventories	1	(20)	1	(20)
	Current tax refundable/payable	1	(1)	1,003	(77)
	Other current assets	26	(337)	(199)	(360)
	Deferred tax asset/liability	-	-	(301)	3,102
	Trade and other payables	(1,375)	9,960	825	10,216
	Employee entitlements	69	(431)	474	(267)
	Other financial liabilities	9	951	37	934
		(4,619)	**13,124**	**(2,261)**	**15,750**
	Movement in items treated as investing activities	(1,014)	(2,116)	(3,122)	(1,938)
	Net cash inflow from operating activities	**40,512**	**41,788**	**55,184**	**54,211**

28. Remuneration (Council Only)

During the year to 30 June 2017, the total remuneration and value of other non-financial benefits received by or payable to the Elected Representatives, Chief Executive, and staff of the Council were as follows:

	Council	
	2017	2016
Elected Representatives	$	$
Council		
Jim Boult - Mayor (elected Oct 2016)	79,714	-
Vanessa van Uden - Mayor (until Oct 2016)	33,139	110,100
Callum McLeod - Deputy Mayor (elected Oct 2016)/Councillor Wanaka[1]	50,647	31,600
Lyal Cocks - Deputy Mayor/ Councillor Wanaka	13,316	46,000
Tony Hill - Councillor Wakatipu/Committee Chair (elected Oct 2016)	26,547	-
John MacDonald - Councillor Wakatipu (elected Oct 2016)	22,879	-
Penny Clark - Councillor Wakatipu (elected Oct 2016)	22,879	-
Val Miller - Councillor Wakatipu (elected Oct 2016)	22,879	-
Ross McRobie - Councillor Wakatipu/Committee Chair (elected Oct 2016)[2]	28,767	-
Cath Gilmour - Councillor Wakatipu/Portfolio Leader (until Oct 2016)	11,889	41,260
Mel Gazzard - Councillor Wakatipu/Portfolio Leader (until Oct 2016)[3]	18,449	43,660
Scott Stevens - Councillor Arrowtown/Committee Chair	36,059	31,600
Simon Stamers-Smith - Councillor Wakatipu (until Oct 2016)	9,511	31,600
Ella Lawton - Councillor Wanaka (resigned Apr 2017)[4]	28,597	31,600
Craig Ferguson - Councillor Wakatipu	32,390	31,600
Alexa Forbes - Councillor Wakatipu/Committee Chair	36,059	31,600
Merv Aoake - Councillor Wakatipu (until Oct 16)	9,511	31,600
Wanaka Community Board		
Rachel Brown - Board Chair	22,755	22,200
Bryan Lloyd - Board Member (until Oct 2016)	3,341	11,100
Mike O'Connor - Board Member (until Oct 2016)	3,341	11,100
Ross McRobie - Board Member (until Oct 2016)	3,341	11,100
Edward Taylor - Board Member (elected Oct 2016)	8,037	-
Quintin Smith - Board Member (elected Oct 2016)	8,037	-
Ruth Harrison - Board Member (elected Oct 2016)	8,037	-

[1] Remuneration includes $12,920 for attending District Plan hearings on behalf of QLDC.
[2] Remuneration includes $2,220 for attending an RMA resource consent hearing on behalf of QLDC.
[3] Remuneration includes $3,280 for attending an RMA resource consent hearing on behalf of QLDC.
[4] Remuneration includes $2,280 for attending District Plan hearings on behalf of QLDC.

Chief Executive

For the year ended 30 June 2017, the total annual cost including fringe benefit tax to QLDC of the remuneration package being received by the Chief Executive appointed under Section 42 of the Local Government Act 2002 is calculated at $315,000 (2016: $315,000).

Employee staffing levels and remuneration

The number of employees employed by Queenstown Lakes District Council at 30 June 2017 was 336 (30 June 2016: 313). The number of full-time employees and full time equivalents of all the other employees as at 30 June 2017 was 213 and 65 respectively (30 June 2016: 207 and 54).

The number of employees in Queenstown Lakes District Council classified in bands as per the total received or receivable annual remuneration, including any non-financial benefits received or receivable is:

	2017	2016
< $60,000	198	192
$60,001 to $80,000	57	43
$80,001 to $100,000	45	42
$100,001 to $120,000	9	18
> $120,000	27	18
Total number of employees	**336**	**313**

29. Severance Payments

For the year ended 30 June 2017 QLDC made no severance payments to employees.

30. Emissions Trading Scheme

Forestry

QLDC is part of the Emissions Trading Scheme (ETS) for its pre-1990 forests (mandatory participation). Under the ETS, QLDC is allocated New Zealand Units (NZUs). An initial free allocation of NZUs is provided in relation to pre-1990 forests.

Landfill

QLDC owns a landfill site which is operated by Scope Resources Ltd. Under the ETS, QLDC is required to acquire and surrender emission units to account for the direct greenhouse gas emissions associated with its landfill site.

2017	Pre-1990 Forest	Landfill	Total
Productive area (hectares)	296	n/a	296
Opening balance	-	-	-
NZUs purchased during the year	-	45,190	45,190
NZUs allocated/transferred internally during the year	-	-	-
NZUs transferred to Scope Resources Ltd during the year	-	(26,582)	(26,582)
NZUs on hand at balance date	**-**	**18,608**	**18,608**

Under the ETS liabilities can accrue as follows:
Pre-1990 forests: liabilities accrue if the pre-1990 forest land is deforested and not replanted. QLDC does not anticipate any future liabilities will arise in relation to pre-1990 forest land.

31. Explanation of Major Variances against Budget

Statement of Financial Performance

QLDC recorded a surplus of $68.0m for the year. This is up from the $39.4m surplus recorded last year and also up against a budget of $21.5m. The main reasons for the higher surplus, which is not profit, are related to higher revenue ($16.1m) to budget and $34.6m of unrealised net gains on revaluation of QLDC assets. The $34.6m movement in value for the year relates to the Council's investment property; this is a gain on paper due to higher market prices and the change in zoning for the Lakeview land in Queenstown.

Both revenue and operating expenditure were above budget for the year ended 30 June 2017. Revenue was above estimate by 12.9% or $16.1m and expenditure was over by 5.5% or $5.72m. This reflects extremely high levels of activity across all activities.

The following major items contributed to this variance:

- Increased user charges of $6.5m which consists of increased revenue from rentals, consents, regulatory activities and solid waste. The increased revenue offsets increased costs in consents, regulatory activities and solid waste.
- Increased development contributions of $6.4m which is related to the increase in development activity within the district. This income can only be used to fund growth related capital expenditure.
- Dividend income from QAC was $847k above budget for the year.

The surplus includes the following:

- $34.6m of unrealised gains relating to the annual revaluation of Council owned investment property. This follows a 2016 value gain of $9.3m.
- $0.9m of unrealised gains as a result of the revaluation of interest rate swaps $898k as at 30 June 2017.

Operating expenditure was $5.72m (5.5%) over budget for the year ended 30 June 2017. Over 50% of this negative variance is due to the costs to defend and resolve a number of building related legal claims against the Council. Much of the remaining negative variance relates to the costs of managing increased activity volumes for the year.

The major remaining operational cost variances are as follows:

- Costs of contract staff for the year were $2.09m higher than budget. Contractors have been used in consenting activities where it has not been possible to recruit employees. The volumes of work have dictated this approach and all of this additional cost is recovered in revenue.
- Interest expense for the year is $5.4m less than budget. This is a result of the timing of some capital works and lower than expected interest rates.
- Costs for professional services were $1.5m above budget for the year, mainly as a result of an increase in on-chargeable consultant costs related to consents.
- Costs for road maintenace were $0.7m above budget for the year, mainly as a result of snow clearing work required in winter 2016.
- Increased costs of $1.7m for handling larger than expected volumes of solid waste for the year.
- Expenditure of $926k reflecting the on-payment of affordable housing grants to the housing trust, offset by the same amount in income.

Statement of Financial Position

The main variances relate to the difference in expected asset values for the year and reduced borrowings. The following items contributed to this variance:

- Capital expenditure was below estimate by $10.8m for the year ended 30 June 2017.

  This relates mostly to timing differences for the following large projects:

  Wanaka Aquatic Centre
  (2016/17 budget of $5.3m versus actual spend of $3.4m - Project completion programmed for 2017/18);
  Mt Aspiring Rd Booster to address fire fighting capability
  (2016/17 budget of $0.6m versus actual spend of $0.03m - Project on hold, subject to further business case development;
  Resilience - Crown Range Road Land Construction
  (2016/17 budget of $0.5m versus actual spend of $0.02m - Project completion programmed for 2017/18);
  Andrews Road Safety Improvements
  (2016/17 budget of $0.5m versus actual spend of $0.04m - Project completion programmed for 2017/18).
- Reduced capital expenditure in the last 3 years, as well as the sale of the Scurr Heights land last year, results in borrowings that are $69.1m below forecast. Total debt as at 30 June 2017 is $92.7m compared to a forecast of $161.8m.

Statement of Changes in Equity

Accumulated differences between actual and budgeted net surpluses as described above for 2017, as well as the impact of the investment property revaluation and reduced borrowings, has resulted in an equity variance of $84.2m above forecast.

Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows, particularly cash flows from investing and financing activities. Cash payments for the purchase of property, plant and equipment (i.e. capital expenditure) was $36.5 million below estimate and net borrowings were consequently around $31.3 million less than expected.

32. Financial Instruments

(a) Capital management

For the purpose of the Group's capital management, the Group's capital is its equity, including accumulated comprehensive revenue and expenses and all equity reserves attributable to the Council. Equity is represented by net assets.

QLDC manages the Group's capital largely as a by-product of managing its revenue, expenses, assets, liabilities and general financial dealings. The Local Government Act 2002 requires the Council to manage its revenue, expenses, assets, liabilities and general financial dealings in a manner that promotes the current and future interests of the community. In addition, the Local Government (Financial Reporting and Prudence) Regulation 2014 sets out a number of benchmarks for assessing whether the Council is managing its revenue, expenses, assets and liabilities prudently.

The primary objective of the Group's capital management is to achieve intergenerational equity which is a principle promoted in the Local Government Act 2002 and applied by the Council. Intergenerational equity requires the Council to spread the funding of the cost of its assets over the current and future generations of ratepayers, such that:

- Current ratepayers are required to meet the cost of using the assets, but not the full cost of long term assets that will benefit ratepayers in future generations; and
- Ratepayers in future generations are not required to meet the costs of deferred asset renewals and maintenance.

In order to achieve this overall objective, the Council has in place asset management plans for major classes of assets, detailing renewals and programmed maintenance.

An additional objective of capital management is to ensure that the expenditure needs identified in the Council's Long-term Plan and Annual Plan are met in the manner set out in these plans. The Local Government Act 2002 requires the Council to make adequate and effective provision in its Long-term Plan and in its Annual Plan to meet the expenditure needs identified in those plans. The factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities are set out in the Local Government Act 2002. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-term Plan.

The Council monitors actual expenditure incurred against the Long-term Plan and Annual Plan.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2017 and 2016.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Categories of financial instrumenets

	Council		Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets				
Cash and cash equivalents (AC)	6,326	5,009	7,241	5,930
Trade and other receivables (AC)	13,330	9,980	15,813	12,642
Other financial assets (AC)	10,740	740	10,740	740
Other financial assets (FVTSD)	-	-	263	-
Other financial assets (AFS)	1,408	1,243	1,408	1,243
Financial liabilities				
Trade and other payables (AC)	22,618	23,994	27,306	27,433
Borrowings (AC)	92,689	75,911	139,689	114,921
Other financial liabilities (FVTSD)	1,560	2,458	1,560	2,618

AC = Amortised cost; FVTSD = Fair value through surplus or deficit; AFS = Available for sale

(d) Financial risk management objectives

QLDC has established a Treasury Management Policy which combines the Local Government Act 2002 requirement for local authorities to adopt a Liability Management Policy and an Investment Policy. These provide a framework for prudent debt management and the management of financial resources in an efficient and effective way.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(e) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both floating and fixed interest rates.

Sensitivity analysis

The sensitivity analysis in the following table has been determined based on the exposure to interest rates for financial instruments at the balance date. The analysis is prepared assuming the amount of the financial instrument outstanding at the balance sheet date was outstanding for the whole year.

The Council and Group is not exposed to foreign currency risk or equity price risk.

32. Financial Instruments continued

(e) Interest rate risk continued

The impact to surplus for the year and total equity as a result of a 50 basis point increase in interest rates is as follows (note that () represents a loss in the table below):

		Council				Group			
		2017 $'000 +50 bps		2016 $'000 +50 bps		2017 $'000 +50 bps		2016 $'000 +50 bps	
	Note	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Liabilities									
Borrowings	(i)	(100)	(100)	(50)	(50)	(223)	(223)	(133)	(133)
		(100)	**(100)**	**(50)**	**(50)**	**(223)**	**(223)**	**(133)**	**(133)**

A 50 bps decrease would have the opposite effect in the table above.

(i) Secured loans
QLDC has floating rate debt with a principal amount totalling $20,000,000 (2016: $10,000,000).
QAC has floating rate debt with a principal amount totalling $24,500,000 (2016: $16,510,000).

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

For QLDC the concentration of credit risk is limited due to the customer base being large and unrelated. The Council and Group believes no further credit provision is required in excess of the allowance for doubtful debts, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

QLDC is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 14 (iv).

The Group is exposed to credit risk arising from a small number of airlines comprising the majority amount of the Queenstown Airport Limited trade receivables. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal trading terms of trade.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

	Maximum credit risk	
	2017 $'000	2016 $'000
Council		
Financial assets and other credit exposures	31,804	16,972
Group		
Financial assets and other credit exposures	35,465	20,555

(g) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in raising liquid funds to meets commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate committed credit facilities, and the ability to close out market positions.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 27 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The maturity profiles of the Group's interest bearing financial instruments are disclosed later in this note.

The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 14 (iv).

(h) Fair value of financial instruments

The Council and directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

Fair value measurements recognised in the Statement of Financial Performance.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2017	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Council				
Financial assets				
Other investments	1,408	-	-	1,408
Financial liabilities				
Derivatives	1,560	-	1,560	-
Group				
Financial assets				
Other investments	1,408	-	-	1,408
Derivatives	263	-	263	-
Financial liabilities				
Derivatives	1,560	-	1,560	-

2016	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Council				
Financial assets				
Other investments	1,243	-	-	1,243
Financial liabilities				
Derivatives	2,458	-	2,458	-
Group				
Financial assets				
Other investments	1,243	-	-	1,243
Financial liabilities				

32. Financial Instruments continued

The following table details QLDC's exposure to interest rate risk on financial instruments:

Council 2017	Weighted average effective interest rate %	Carrying amount $'000	Undiscounted contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000
Financial liabilities									
Trade and other payables	-	22,618	22,618	22,618	-	-	-	-	-
Borrowings	4.21%	92,689	109,025	20,854	23,463	2,760	27,424	1,347	33,177
		115,307	**131,643**	**43,472**	**23,463**	**2,760**	**27,424**	**1,347**	**33,177**

Council 2016	Weighted average effective interest rate %	Carrying amount $'000	Undiscounted contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000
Financial liabilities									
Trade and other payables	-	23,994	23,994	23,994	-	-	-	-	-
Borrowings	4.68%	75,911	93,322	3,778	13,604	23,172	2,471	27,135	23,162
		99,905	**117,316**	**27,772**	**13,604**	**23,172**	**2,471**	**27,135**	**23,162**

Group 2017	Weighted average effective interest rate %	Carrying amount $'000	Undiscounted contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000
Financial liabilities									
Trade and other payables	-	27,306	27,306	27,306	-	-	-	-	-
Borrowings	3.73%	136,689	154,224	66,053	23,463	2,760	27,424	1,347	33,177
		163,995	**181,530**	**93,359**	**23,463**	**2,760**	**27,424**	**1,347**	**33,177**

Group 2016	Weighted average effective interest rate %	Carrying amount $'000	Undiscounted contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000
Financial liabilities									
Trade and other payables	-	27,433	27,433	27,433	-	-	-	-	-
Borrowings	4.17%	114,921	133,565	44,021	13,604	23,172	2,471	27,135	23,162
		142,354	**160,998**	**71,454**	**13,604**	**23,172**	**2,471**	**27,135**	**23,162**

ANNUAL REPORT DISCLOSURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose the council's financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

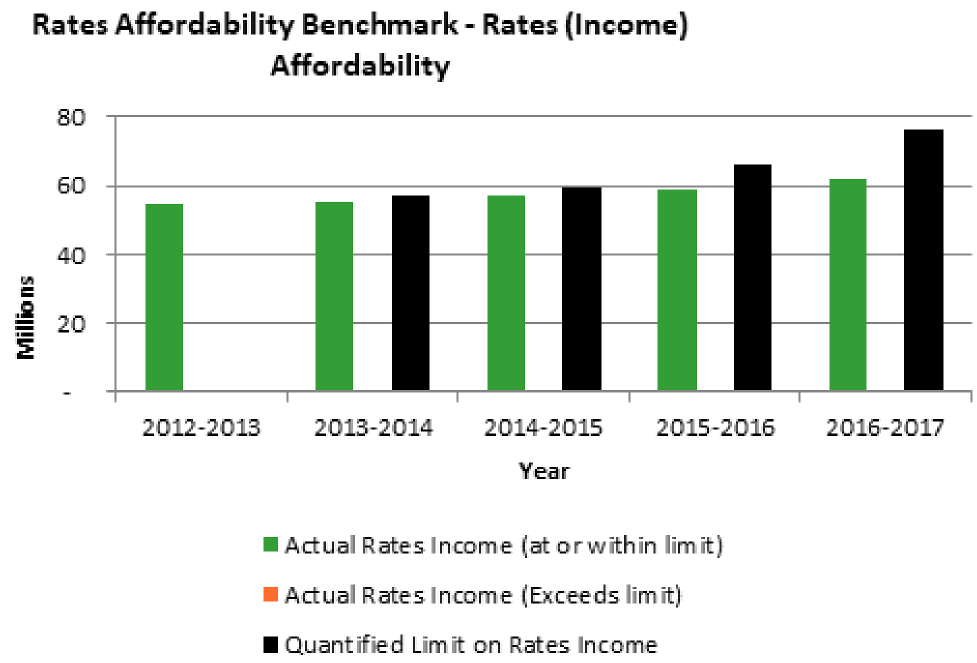
The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

RATES AFFORDABILITY BENCHMARK

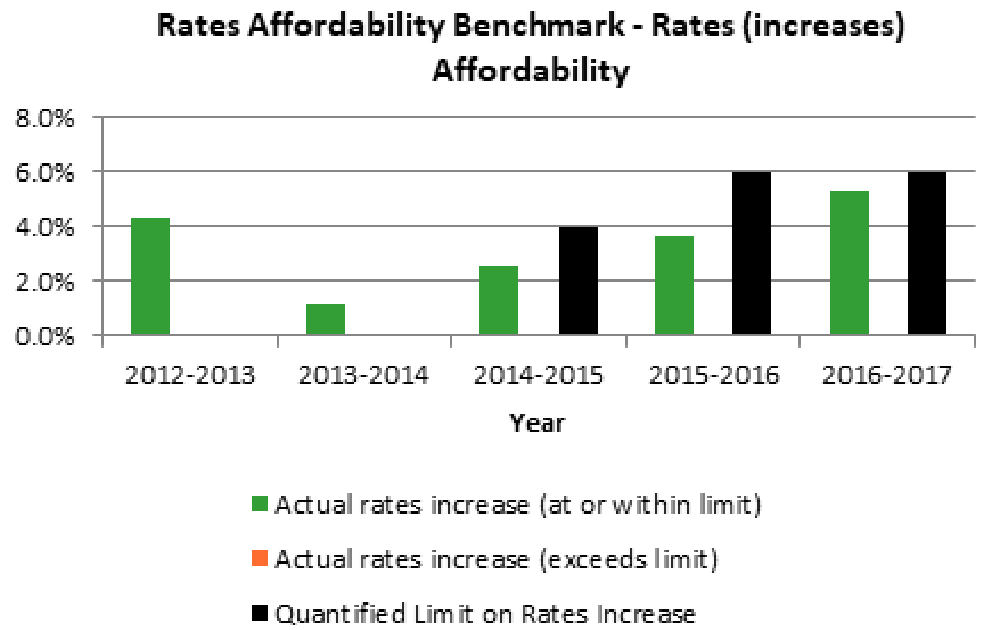
The council meets the rates affordability benchmark if—

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability - The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The quantified limit is that rates income will not exceed 55% of total revenue. There were no quantified limits prior to 2013-14.



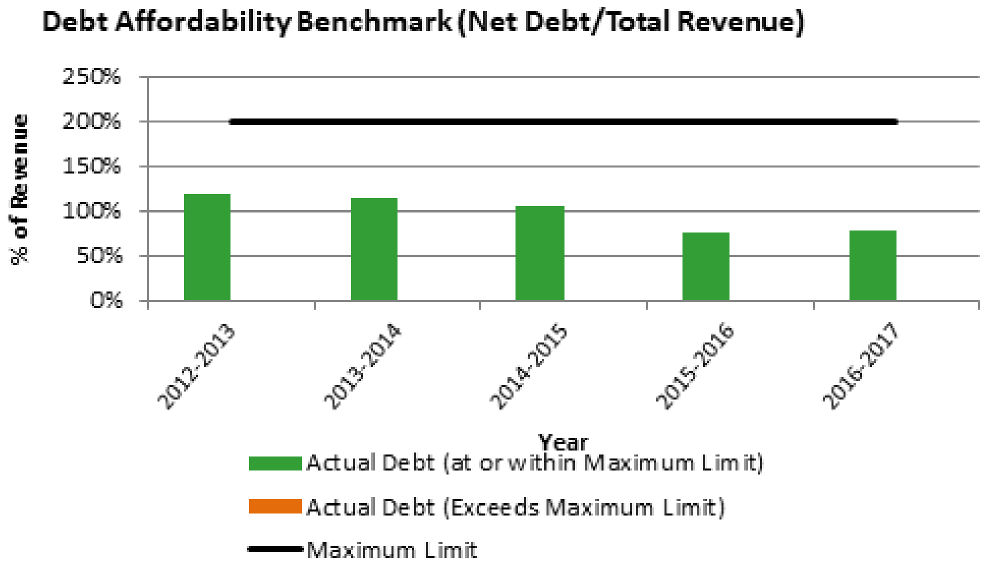
Rates (increases) affordability - The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's long-term plan. The quantified limit is that rates increases set at a maximum of 6% per annum (subject to changes in growth). There were no quantified limits prior to 2013-14.



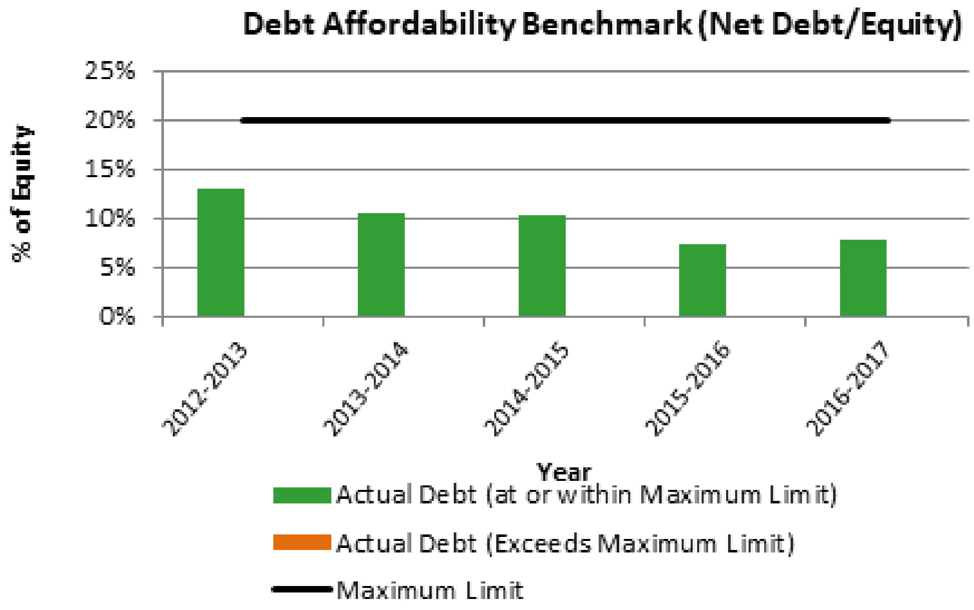
DEBT AFFORDABILITY BENCHMARKS

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graphs compare the council's actual borrowing with the quantified limits on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is that the debt to revenue ratio will be under 200%.



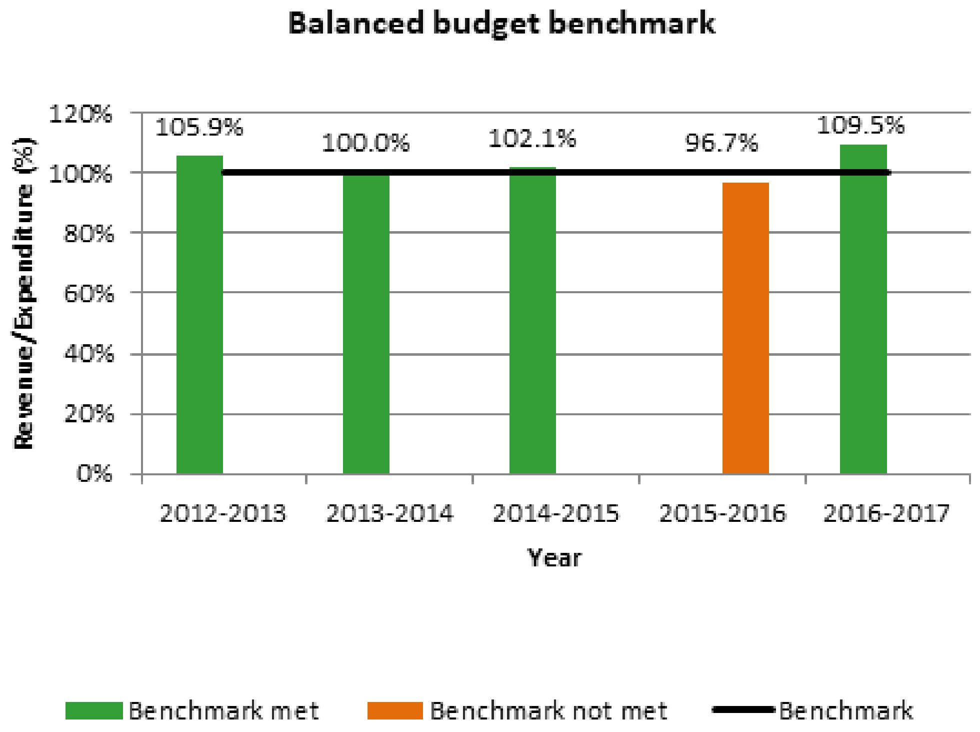
The quantified limit is that the debt to equity ratio will be under 20%.



BALANCED BUDGET BENCHMARK

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

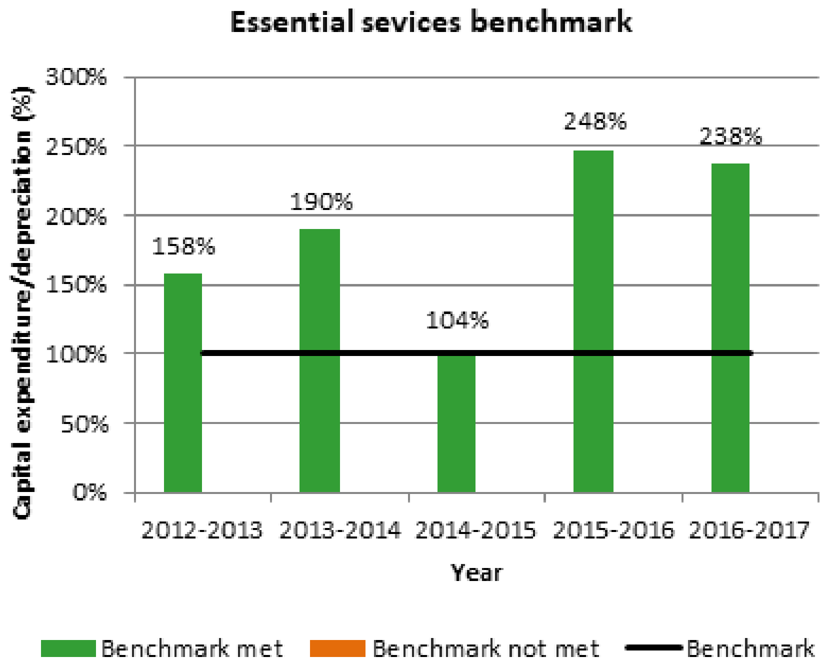
The council meets this benchmark if its revenue equals or is greater than its operating expenses.



ESSENTIAL SERVICES BENCHMARK

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

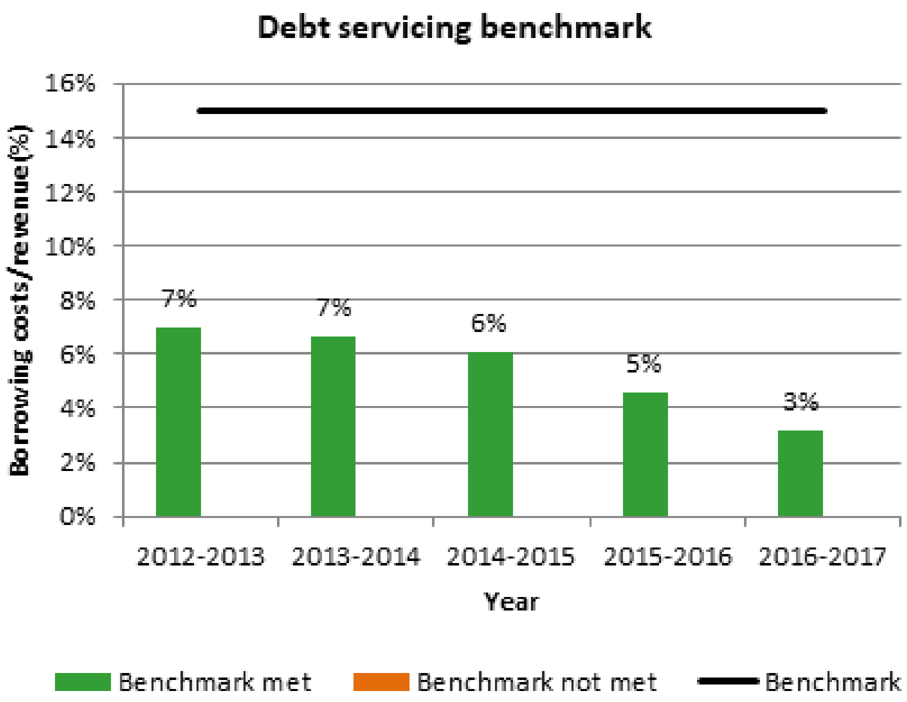


DEBT SERVICING BENCHMARK

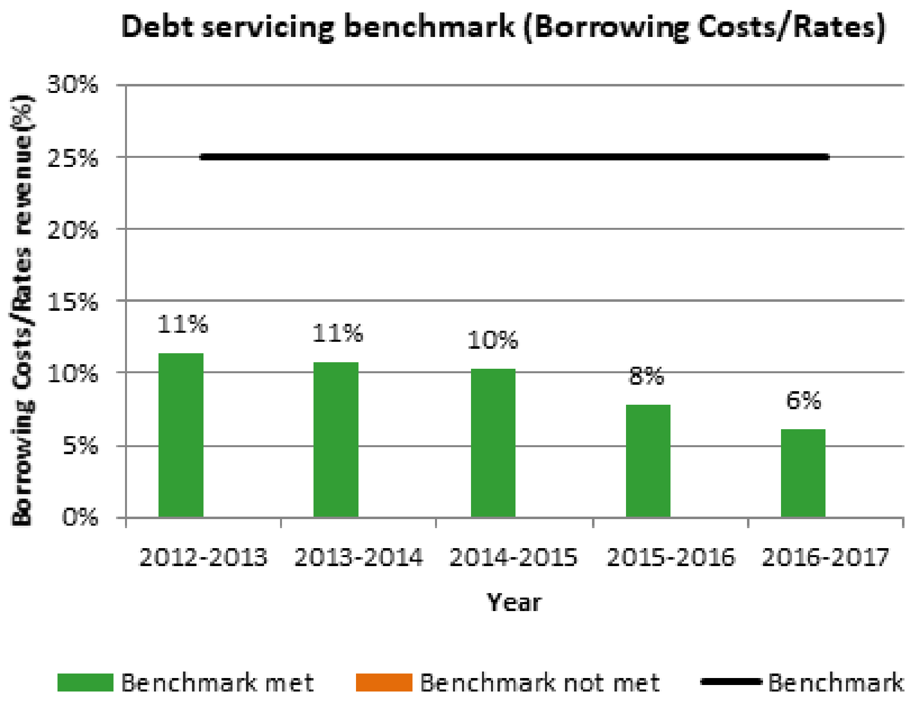
The following graphs compares the council's actual debt servicing with the quantified limits on borrowing stated in the financial strategy included in the council's long-term plan.

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



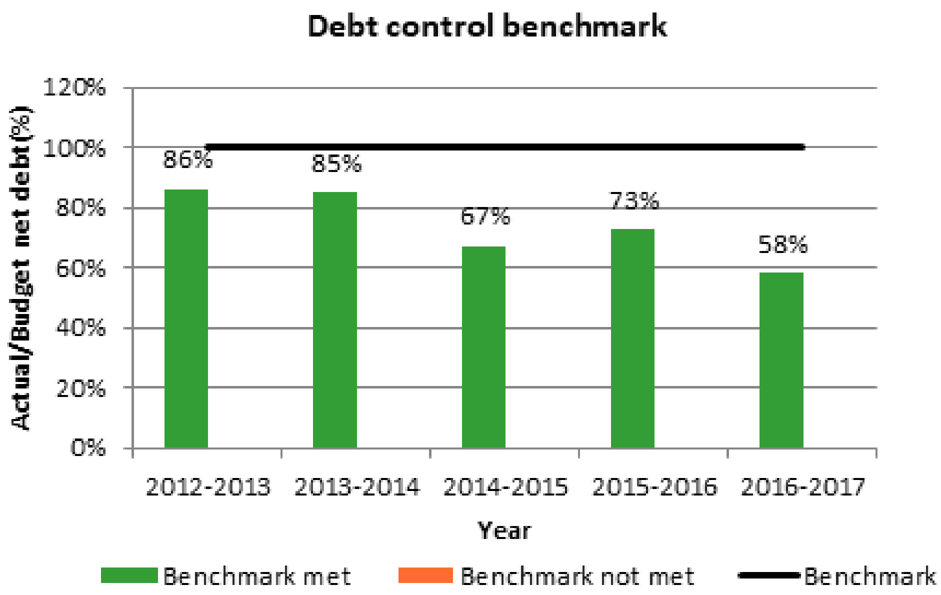
The following graph displays the council's borrowing costs as a proportion of rates revenue. The quantified limit is that its debt servicing costs equal or are less than 25% of its rates revenue.



DEBT CONTROL BENCHMARK

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

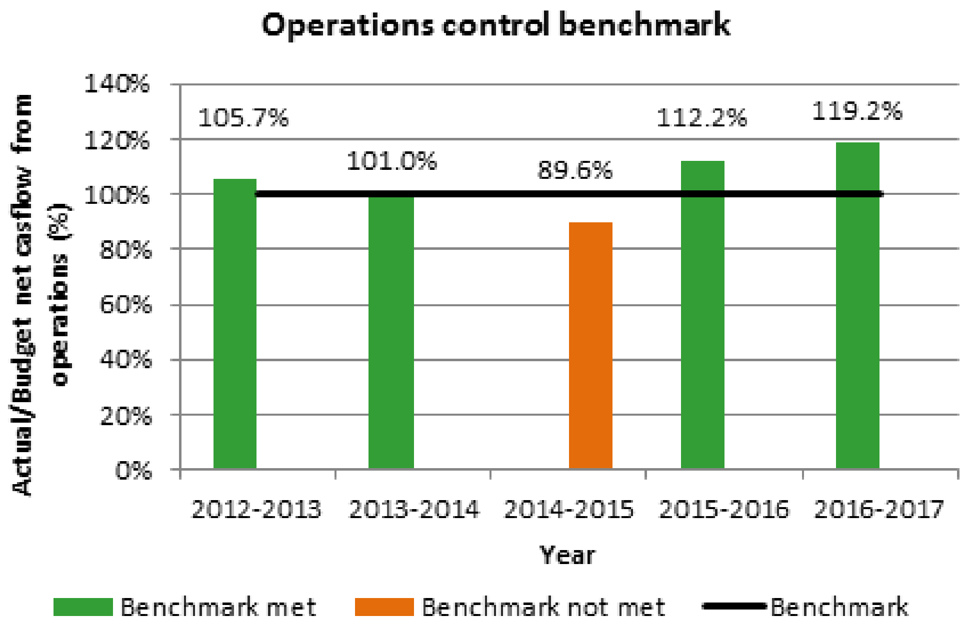
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



OPERATIONS CONTROL BENCHMARK

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



ADDITIONAL INFORMATION OR COMMENT

Council has met all but two of the benchmarks for the past four years. The reason for the breach in the "Operations control benchmark" in 2014/15 related to the delay in the construction and funding of the Eastern Arterial Road (Frankton Flats); forecast capital roading subsidy and capital contributions were not received within the period. In 2015/16 Council failed to meet the "Balanced budget benchmark", this relates to unbudgeted expenditure for the year in relation to the defence and resolution of legal claims.

CORE ASSETS DISCLOSURE

		Closing Book Value* 30-Jun-17	**Additions constructed by Council**	**Additions transferred to Council**	**Estimated replacement cost**
		$000's	**$000's**	**$000's**	**$000's**
Water Supply	Treatment plants and facilities	28,277	1,873	-	29,290
Water Supply	Other assets (such as reticulation systems)	112,211	2,826	592	114,068
Sewerage	Treatment plants and facilities	49,578	25,440	-	51,023
Sewerage	Other assets (such as reticulation systems)	135,383	4,692	775	137,574
Stormwater Drainage		118,967	61	955	120,844
Roads & Footpaths		484,306	5,995	2,042	492,967

Note: There are no flood protection or control works.

* *excluding assets under construction*

RATING BASE INFORMATION

Rating units within the district or region of the local authority at the end of the preceding financial year:

	30 June 2016
The number of rating units	23,526
The total land value of rating units	10,115,552,650
The total capital value of rating units	19,275,799,750

INSURANCE ON ASSETS

Buildings, plant and equipment
The Council has a total asset value for insurance purposes of $208,833,853, excluding 3 Waters below. The insurance is based on full replacement value. The Council carries the first $10,000 of any loss for fire and perils which increases to $50,000 for Wanaka airport, taxiway and apron, and to $250,000 for flood damage. The natural disaster excess is 2.5% of the material damage sum insured (minimum $2,500) and/or pre-1935 risks 10% of the material damage sum insured (minimum $10,000 for natural disaster losses). This applies to the combined material damage and business interruption loss.

3 Waters - buildings/plant and equipment
The Council has a total asset value for insurance purposes of $74,540,535. These assets are split into Sewer total sum insured of $46,120,879 and Water total sum insured of $28,419,656. There is cover for plant and equipment anywhere in New Zealand limited to $200,000 in any situation. The Council carries the first $10,000 of any loss for fire and perils and 2.5% of the material damage sum insured (minimum $2,500) and/or pre-1935 risks 10% of the material damage sum insured (minimum $10,000 for natural disaster losses). This applies to the combined material damage and business interruption loss.

Forestry
The Coronet Forest is insured for fire to the value of $1,423,835. The Council carries an excess that is a percentage of the sum of the block declared value.

Vehicles
The Council has a total asset value for insurance purposes of $1,918,053. All vehicles are insured for market value with replacement value for vehicles which are less than 12 months old. The cover includes all glass claims. The Council carries an excess of 1% of the vehicle value (minimum $1,000 for own vehicles and nil excess for third party damage). The limit for third party damage is $20,000,000. Nil excess applies to windscreen and window glass.

Natural catastrophe for infrastructure - shared services
The Council has physical loss and business interruption cover for their infrastructure caused by a natural catastrophe event including earthquake, natural landslip, flood, tsunami, tornado, windstorm, volcanic eruption, hydrothermal & geothermal activity and subterranean fire.

The limit of liability is $125,000,000 which is a combined limit for an event involving more than one Council in New Zealand for any one loss or series of losses arising out of any one event. The limit of liability for Queenstown Lakes District Council is $100,000,000 for each and every loss. The deductible amount is $1,000,000 for each and every loss.

AUDITOR'S REPORT

SECTION 04: APPENDIX

Introduction

In 2015 the district Councils in Otago agreed to benchmark their performance annually against a set of seven Key Performance Indicators (KPIs). The purpose of this benchmarking is to provide communities with a better basis for comparison, as well as enable Councils to work together to identify best practice and efficiencies. The Otago Performance Improvement Framework (OPIF) was developed to cover five key areas of interest; Infrastructure Asset Management, Resident and Ratepayer satisfaction, Planning services, Affordability, and Corporate Services. For the benefit of this report, the following abbreviations will be used:

CDC: Clutha District Council
CODC: Central Otago District Council
DCC: Dunedin City Council
QLDC: Queenstown Lakes District Council
WDC: Waitaki District Council

Some measures provide opportunity for Council commentary throughout the document. It should be noted that not all Council's chose to provide commentary.

Individual Council Commentary

The OPIF Report and the associated Otago Region satisfaction survey have afforded QLDC the opportunity to understand its performance across a range of measures. Key points to note include:

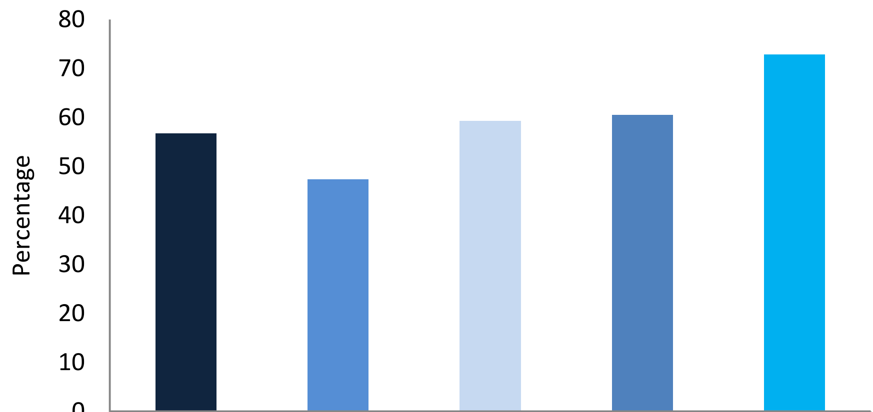
- Overall satisfaction with QLDC is 1% below the regional average, with 85% of those surveyed satisfied or moderately satisfied with the Council overall.
- Overall satisfaction with the information residents receive from QLDC is high, with 92% of residents satisfied. This is above the regional average of 89% and is also a 2% increase on last year's result. QLDC has the lowest score of all council's for dissatisfaction in this area.
- Satisfaction with facilities is 1% below the regional average of 76%, indicating three quarters of residents are satisfied with the facilities QLDC offer.
- Variance to capital works programmes (including renewals) has been impacted due to the timing of construction costs for the major projects; Project Shotover, Wanaka Recreation Centre and Hawthorne Drive. However, all major projects are within budget.
- Usage of libraries, parks and community halls in the Queenstown Lakes district is above the regional average and QLDC ranked either first or second compared to the other councils. Libraries and community halls in the Queenstown Lakes district are considered to be well serviced by QLDC, with swimming pools identified as the facility that needs most attention.
- Growth in the district has had a significant impact on QLDC's ability to deliver resource and building consents on time. This is a continued focus area for QLDC.
- On average, it should be noted that resource consents are delivered within statutory timeframes.

Infrastructure Asset Management

KPI: Percentage of the Council's budgeted capital works programme, including renewals, completed annually

Data source:
Audited financials 2016/17. Calculation – total actual/total budgeted x 100

Total capital works programme



	CDC	CODC	DCC	QLDC	WDC
Percentage complete	57	47	59	60	73

Explanation of variances against the budgeted capital works programme

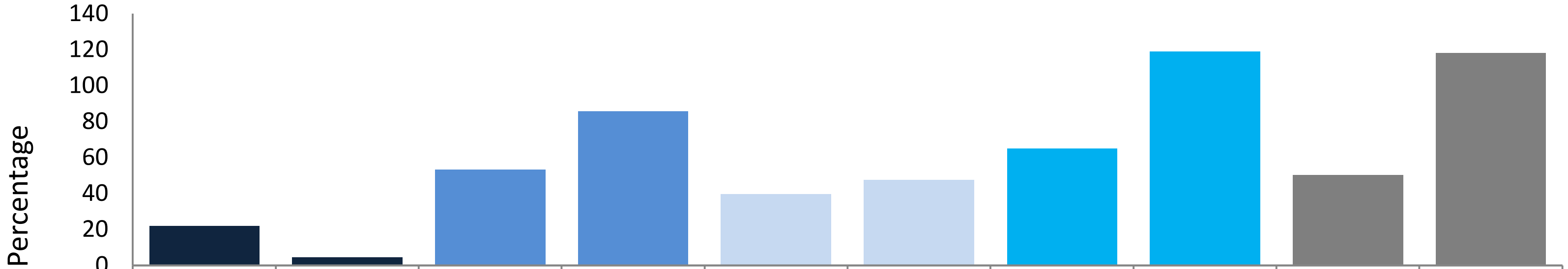
CDC - The variance relates to a change in timing for several large projects including sewerage treatment upgrades, rural water treatment upgrades and a major bridge renewal. In regards to the renewals, CDC's organisational capacity impacted on the ability to deliver the water capital renewals programme, with full staffing capacity following an organisational restructure being achieved in the later part of the financial year.

DCC - A number of projects previously budgeted in 2016/17 are now being undertaken in the 2017/18 year.

QLDC – The majority of the variance is a result of timing of construction costs for the major projects; Project Shotover, Wanaka Recreation Centre and Hawthorne Drive. All major projects are within budget.

WDC – Construction of the pipeline to Hampden has been delayed due to difficulties obtaining landowner agreements for pipeline access.

Water Supply



	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	22	4	53	86	40	48	65	119	50	118

Explanation of variances against the budgeted capital works programme

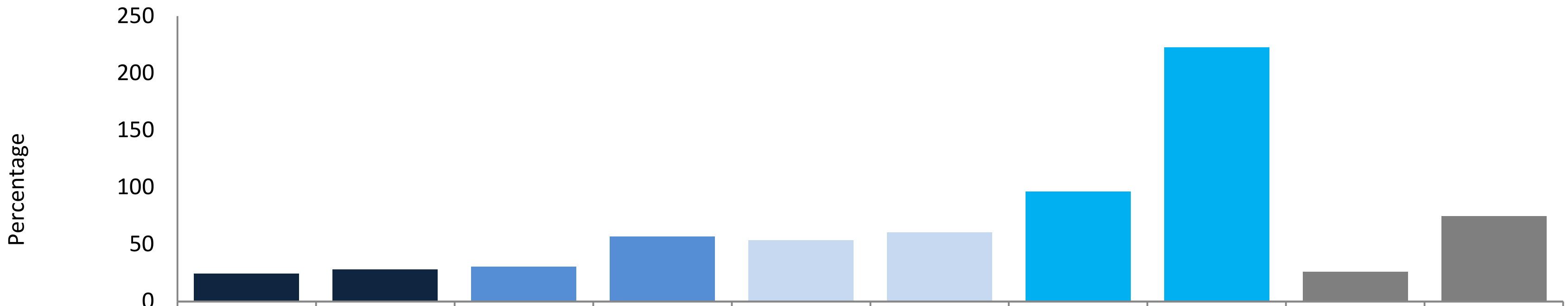
CDC - This result reflects the changes in timing for treatment plant upgrades for several of CDC's rural water treatment plants. In regards to the renewals, CDC's organisational capacity impacted on the ability to deliver the water capital renewals programme, with full staffing capacity following an organisational restructure being achieved in the later part of the financial year.

DCC - The total variance is due to a delay in commencement of the Ross Creek Reservoir reinforcement works. These works will now be completed in the 2017/18 financial year. The renewals variance is due to a delay in the Kaikorai Valley Stage Three project. This project scope is being re-drafted and the contract re-tendered.

QLDC - The total variance arises from the delay in construction of the Shotover Country to Glenda Drive rising main. This work will complete in the 2017/18 financial year. Additional renewals budget was approved by the Council to align the roading budget with NZTA's QLDC roading budget.

WDC - The total variance is due to a delay in the Hampden pipeline project. The renewals spend above budget is due to acceleration of the renewal work to align with growth areas.

Wastewater



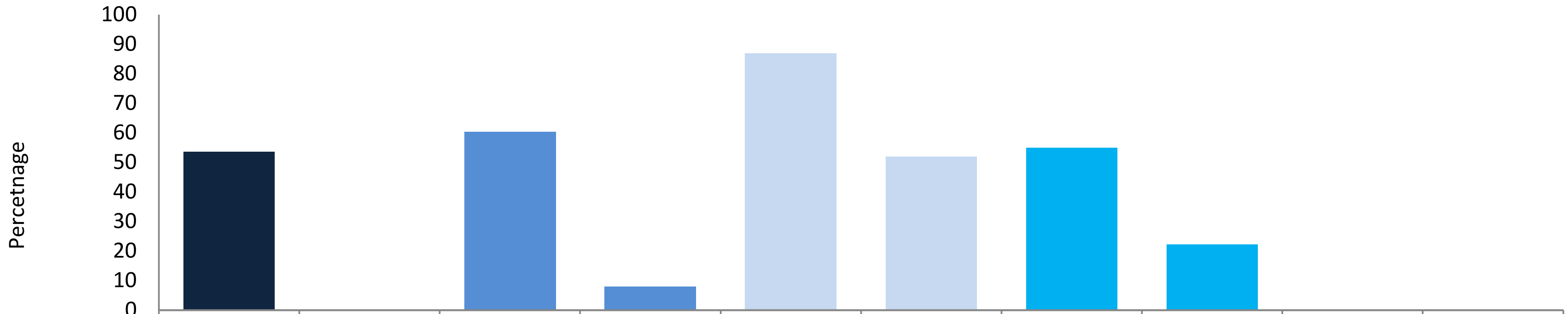
	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	25	28	31	57	54	61	97	223	26	75

Explanation of variances against the budgeted capital works programme

CDC - This result reflects timing for three major upgrades. While the preferred tender and contract had been negotiated during 2015/16 and 2016/17, construction will now take place in 2017/18. The renewals programme was also impacted by staffing availability in the Capital Delivery area.

QLDC - Budget was carried forward from 2015/16 for the completion of the Project Shotover stage one capital project. This has increased the amount of cost in the 2016/17 financial year.

Stormwater



	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	54	0	60	8	87	52	55	22	0	0

Explanation of variances against the budgeted capital works programme

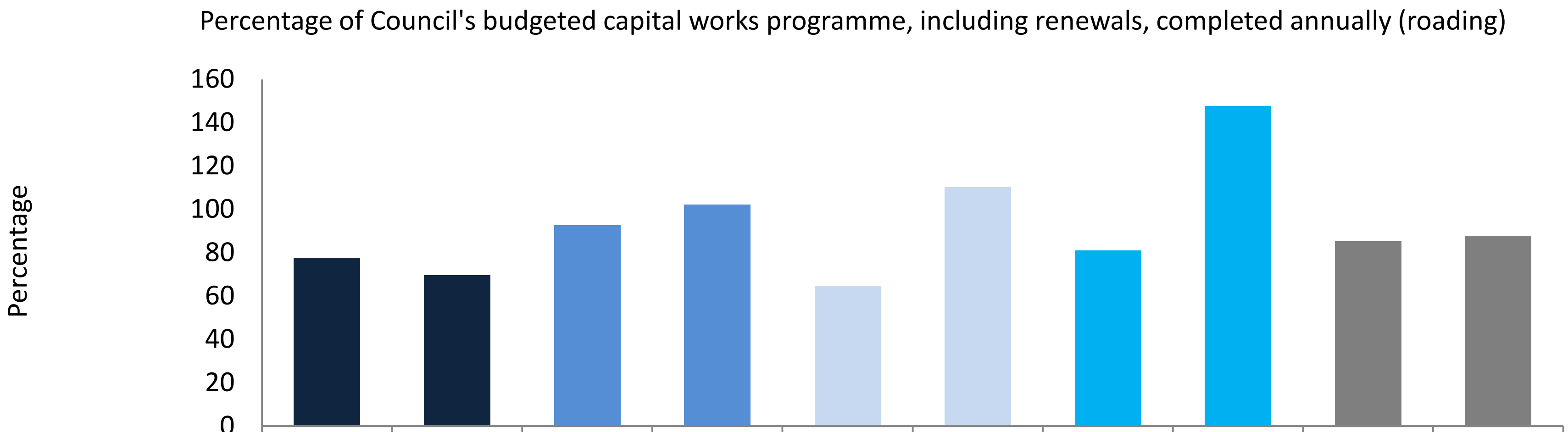
CDC – A number of projects previously budgeted in 2016/17 are now being undertaken in the 2017/18 year and future years. The renewals programme was also impacted by staffing availability in the Capital Delivery area.

DCC - The variance is due to the delay of the Kaikorai Valley Stage three project. This project has been delayed due to lack of tenders and the one received being above the original estimate. The project scope is being re-drafted and the contract re-tendered.

QLDC - The variance to budget is due to the timing of construction of Hawthorne Drive. This project will be completed in the 2017/18 financial year.

WDC - The total programme variance is due to the Muddy Creek Project being deferred ($450k). No renewals were planned or undertaken and expenditure servicing loans and divested assets was excluded.

Roading



	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	78	70	93	102	65	110	81	148	85	88

Explanation of variances against the budgeted capital works programme

CDC - Renewal variance is a reflection of favourable contract rates resulting in savings. The result has also been impacted by the deferral of the Hina Hina bridge project due to high tender prices.

DCC - The total programme variance mainly relates to a delay in commencement of the physical works on the Peninsula Connection project. These will be underway in the 2017/18 financial year.

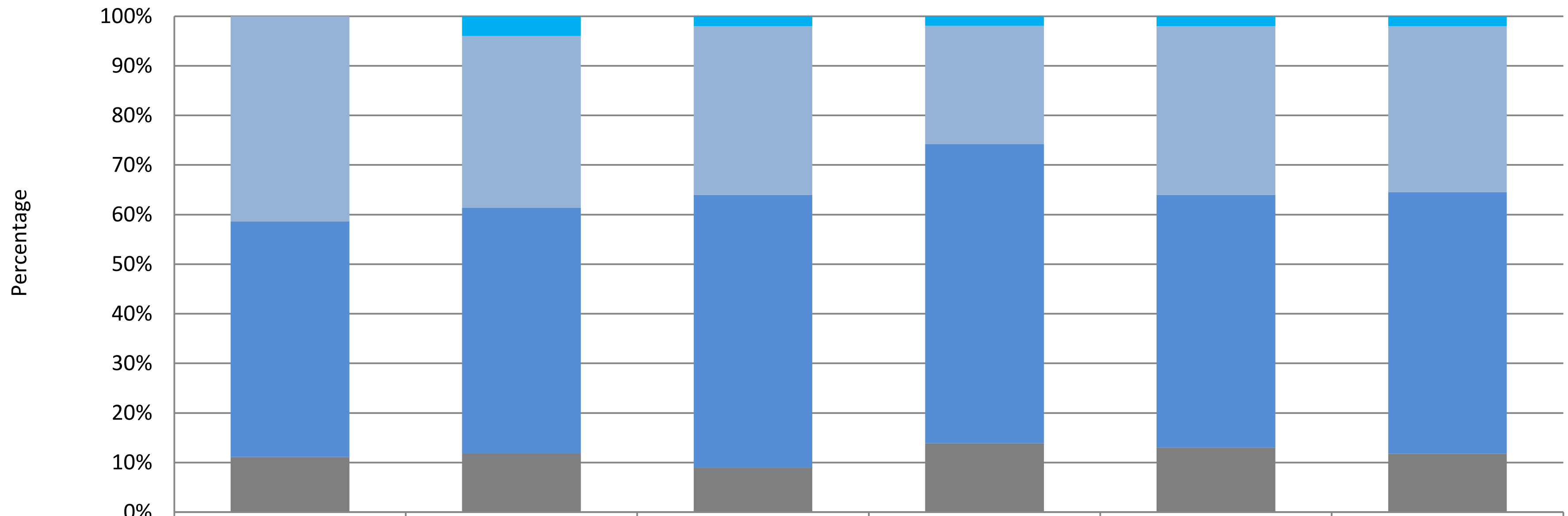
QLDC – The major variance relates to the timing of construction of Hawthorne Drive. This project will be completed in the 2017/18 financial year. The renewals variance is related to budget adjustments approved by the Council to align with additional works approved by NZTA throughout the year.

Otago Region Residents' Satisfaction Survey

Survey conducted in May/June 2017. The full satisfaction report can be found here: ***www.qldc.govt.nz***

KPI: Percentage of ratepayers who are satisfied with overall Council performance

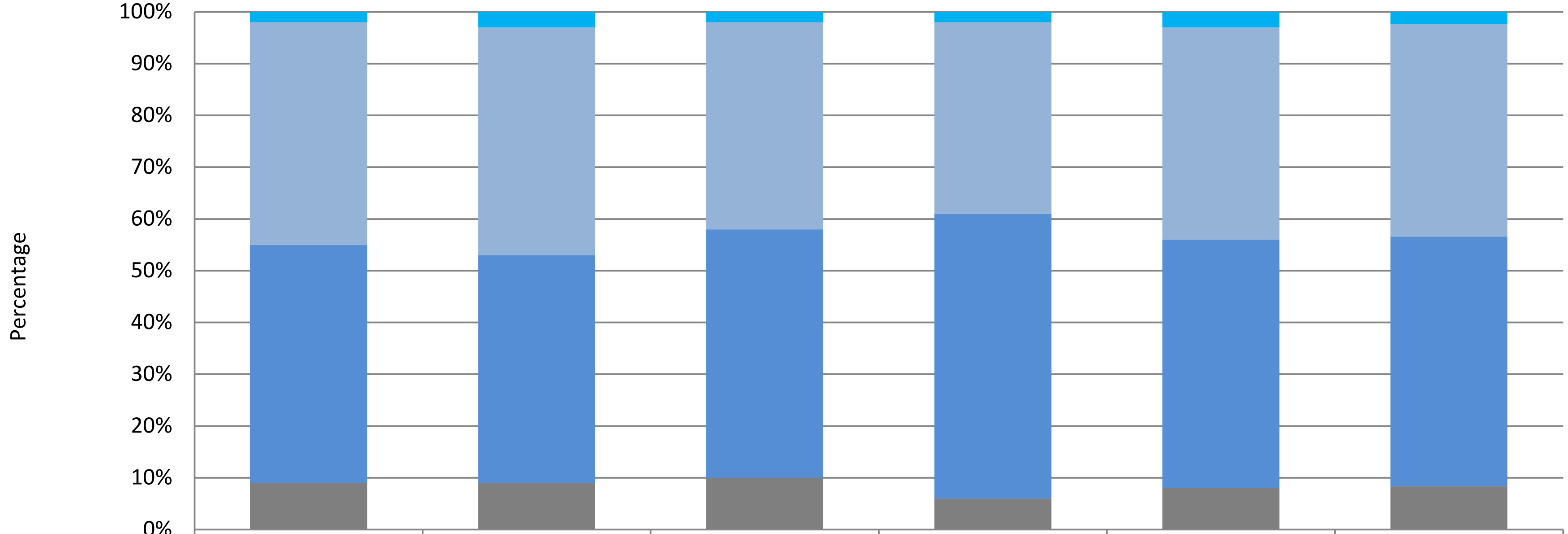
How satisfied are you with your Council overall?



	CDC	CODC	DCC	QLDC	WDC	Average
Unsure/Don't know	0%	4%	2%	2%	2%	2%
Satisfied	41%	35%	34%	24%	34%	34%
Moderately satisfied	47%	50%	55%	61%	51%	53%
Dissatisfied	11%	12%	9%	14%	13%	12%

KPI: Percentage of ratepayers who are satisfied with Council communications

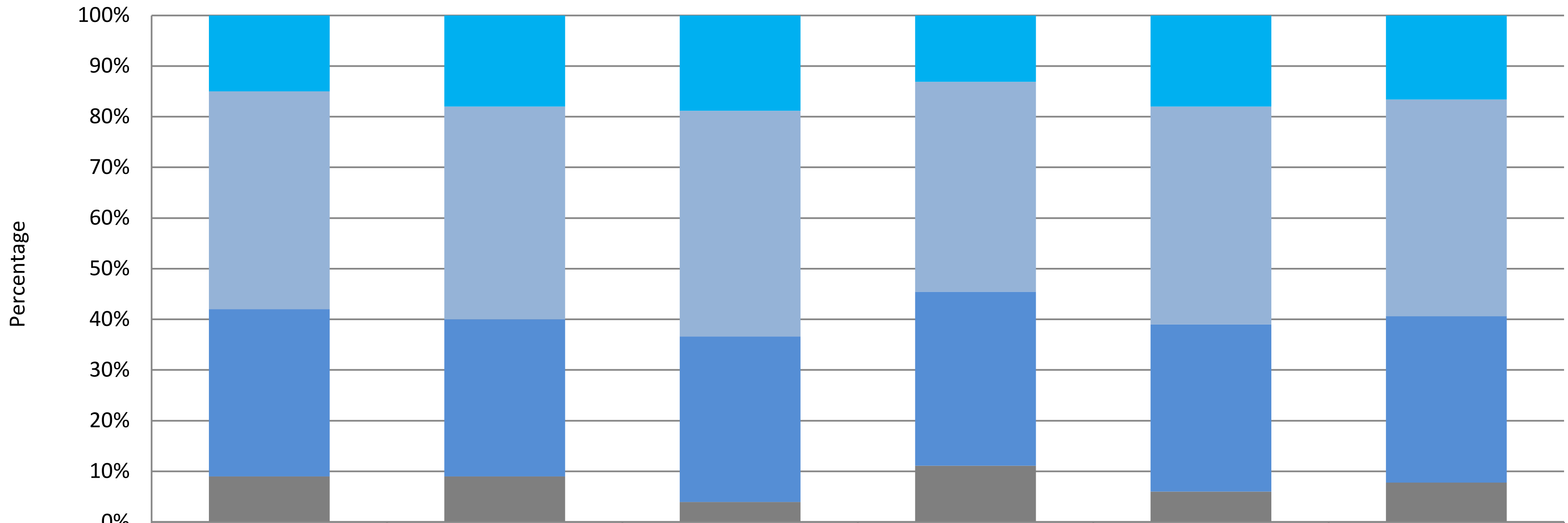
How satisfied or dissatisfied are you with the information you have received from Council overall?



	CDC	CODC	DCC	QLDC	WDC	Average
Unsure/Don't know	2%	3%	2%	2%	3%	2%
Satisfied	43%	44%	40%	37%	41%	41%
Moderately satisfied	46%	44%	48%	55%	48%	48%
Dissatisfied	9%	9%	10%	6%	8%	8%

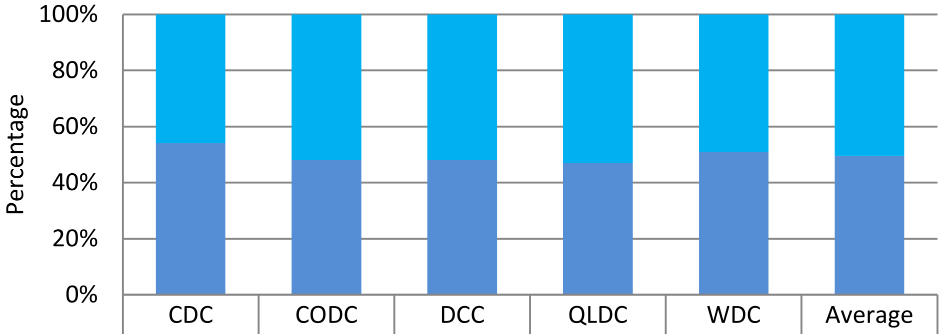
KPI: Percentage of ratepayers who are satisfied with the quantity and quality of community facilities, and the percentage who have used a community facility in the last 12 months

Net satisfaction with community facilities



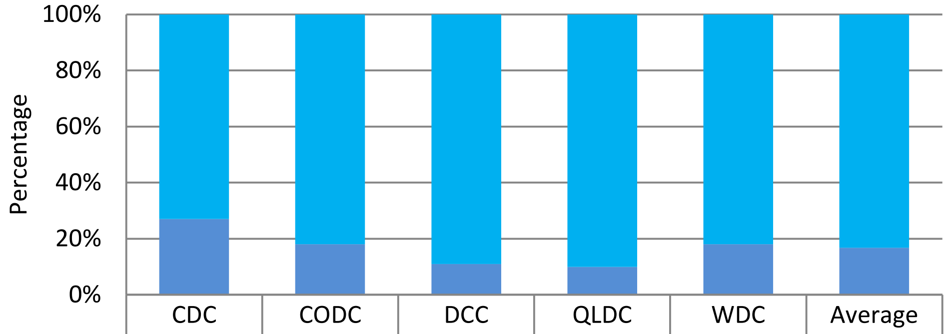
	CDC	CODC	DCC	QLDC	WDC	Average
Unsure/Don't know	15%	18%	19%	13%	18%	17%
Satisfied	43%	42%	45%	41%	43%	43%
Moderately satisfied	33%	31%	33%	34%	33%	33%
Dissatisfied	9%	9%	4%	11%	6%	8%

In the last 12 months, have you visited a public library in your district?



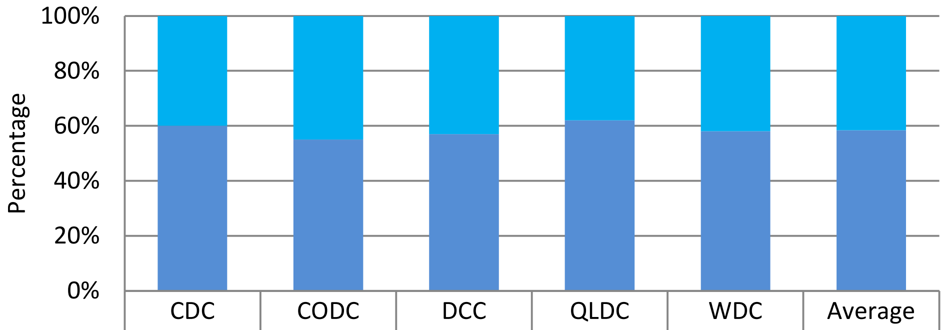
	CDC	CODC	DCC	QLDC	WDC	Average
Yes	46%	52%	52%	53%	49%	50%
No	54%	48%	48%	47%	51%	50%

In the past 12 months, have you been to a park in your district?



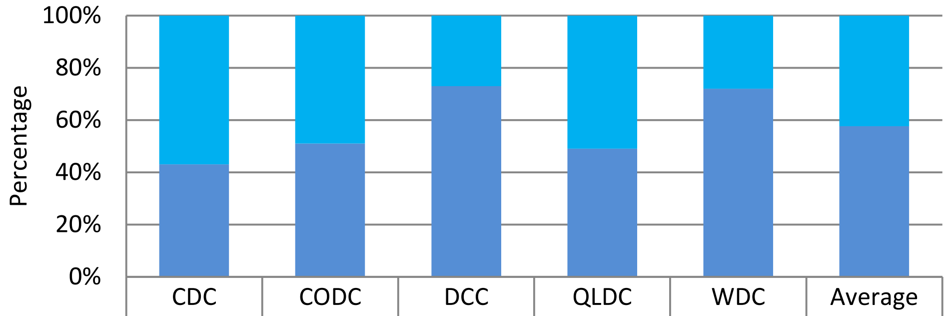
	CDC	CODC	DCC	QLDC	WDC	Average
Yes	73%	82%	89%	90%	82%	83%
No	27%	18%	11%	10%	18%	17%

In the last 12 months, have you used a public swimming pool in your district?



	CDC	CODC	DCC	QLDC	WDC	Average
Yes	40%	45%	43%	38%	42%	42%
No	60%	55%	57%	62%	58%	58%

In the past 12 months, have you been to a community hall in your district?

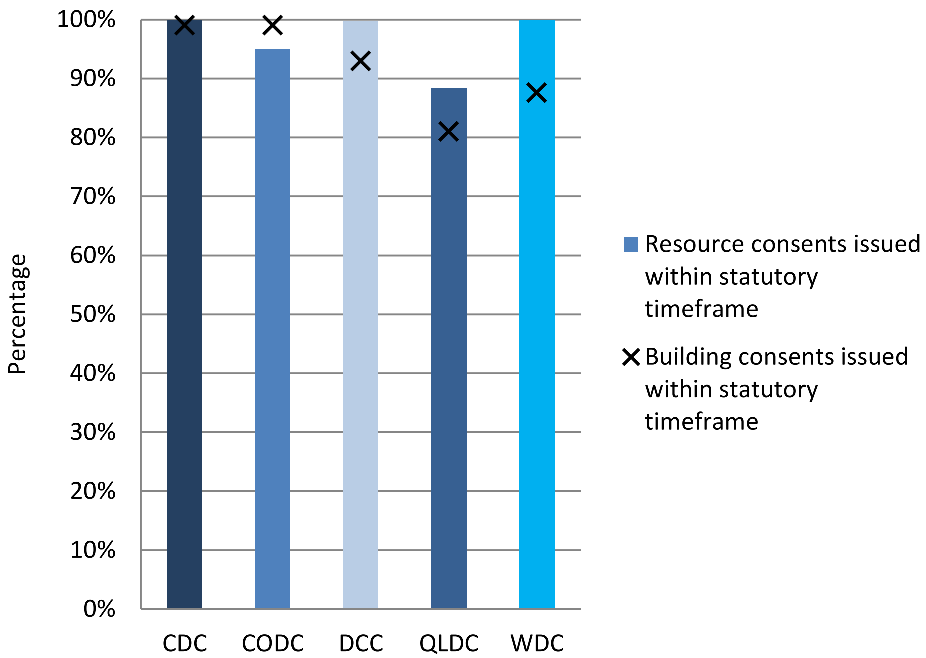


	CDC	CODC	DCC	QLDC	WDC	Average
Yes	57%	49%	27%	51%	28%	42%
No	43%	51%	73%	49%	72%	58%

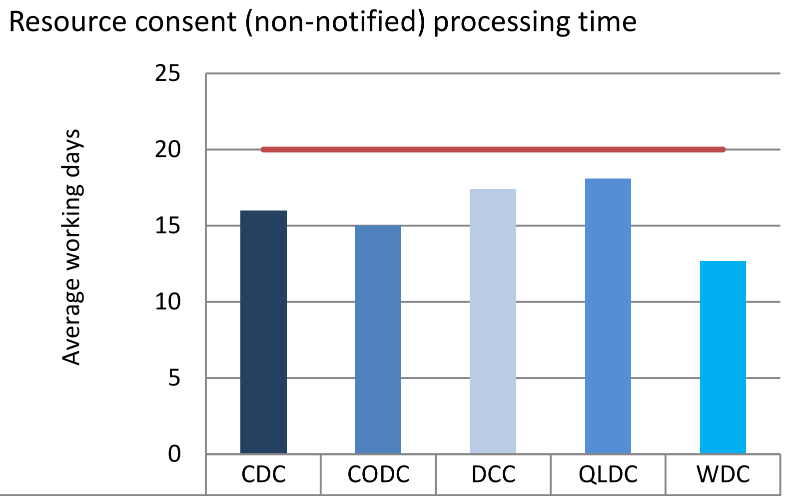
Regulatory (Planning Services)

KPI: Percentage of building and resource consents issued within statutory timeframes, and average building and resource consent processing days

a. Consent processing time

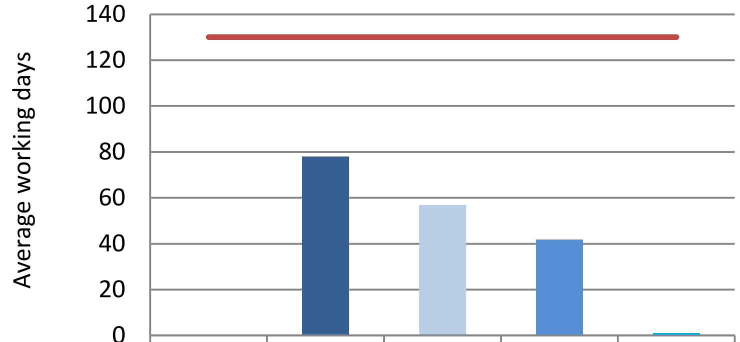


b. Resource Consent processing days



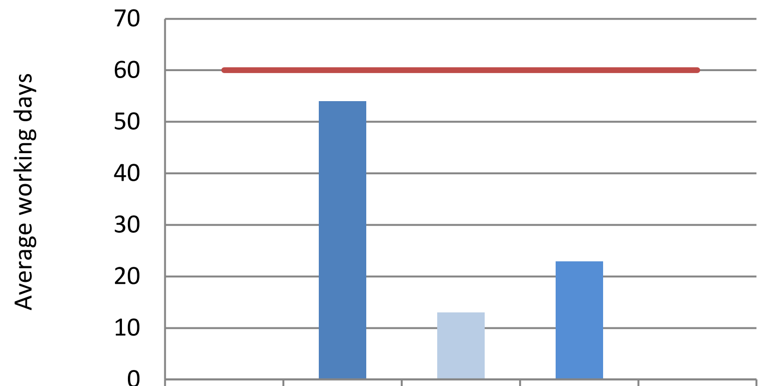
	CDC	CODC	DCC	QLDC	WDC
Non-notified average processing time (within 20 working days)	16	15	17	18	13
Statutory timeframe	20	20	20	20	20

Resource consent (notified - hearing held) processing time



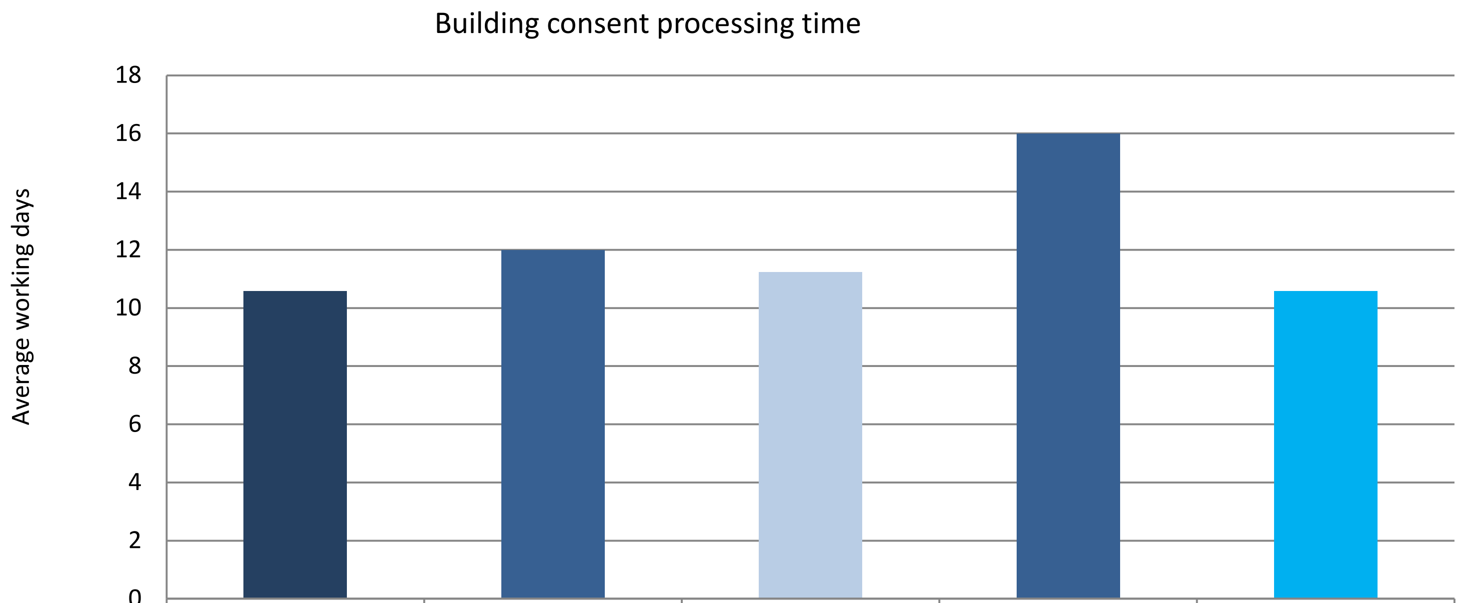
	CDC	CODC	DCC	QLDC	WDC
Notified hearing held average processing (within 130 working days)	0	78	57	42	1
Statutory timeframe	130	130	130	130	130

Resource consent (notified - no hearing) processing time



	CDC	CODC	DCC	QLDC	WDC
Notified no hearing average processing (within 60 working days)	0	54	13	23	0
Statutory timeframe	60	60	60	60	60

b. Building consent processing days



	CDC	CODC	DCC	QLDC	WDC
Average processing time	11	12	11	16	11

Affordability

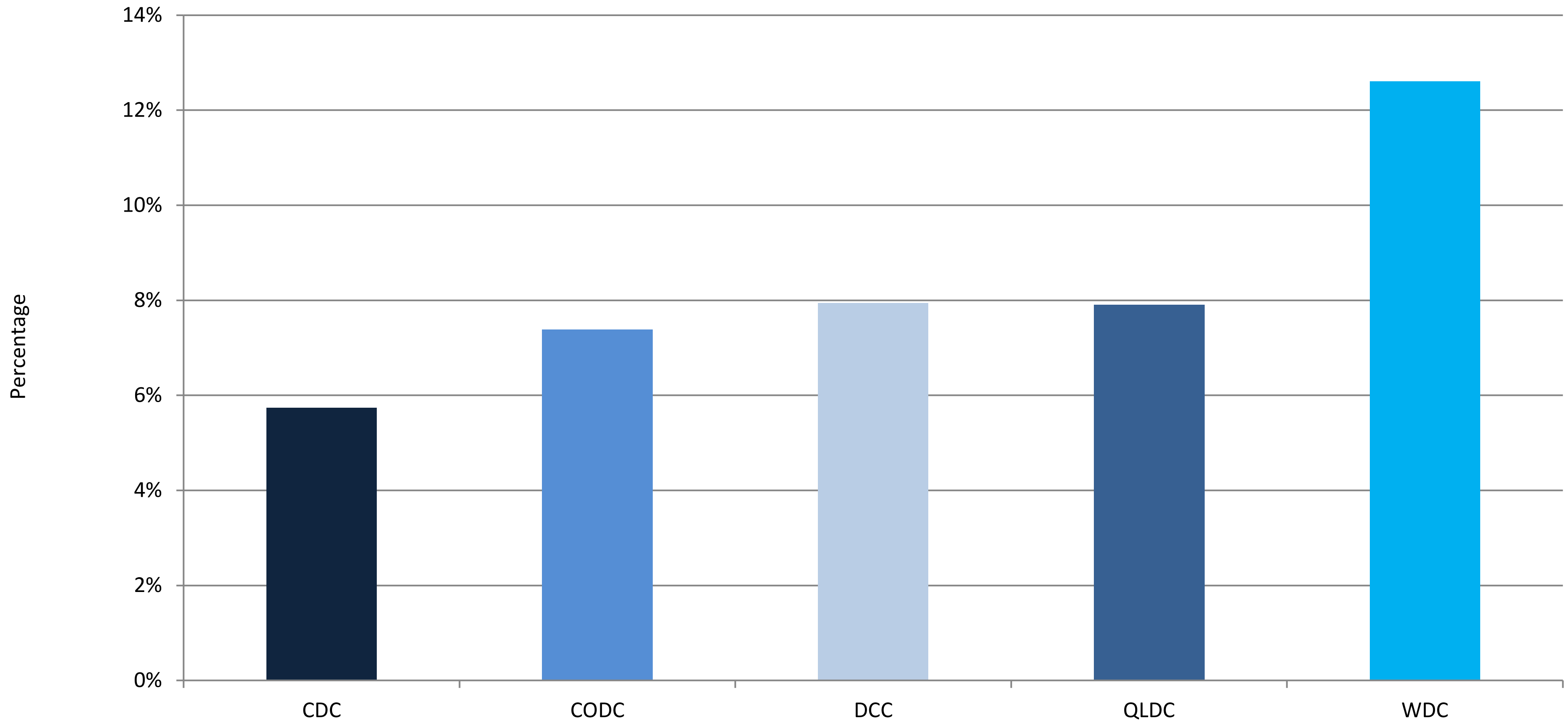
KPI: Rates per ratepayer as a percentage of household income

Territorial Authority	Rates per ratepayer as a percentage of median household income	Rates as a percentage of NZ Superannuation *(based on NZ Superannuation for a married couple)*	Percentage of households that receive NZ Superannuation
Clutha District	4.1%	7.5%	24%
Central Otago District	3.5%	6.3%	31%
Dunedin City	4.5%	8.1%	24%
Queenstown Lakes District	3.6%	8.9%	15%
Waitaki District	3.7%	5.9%	31%

Data sources:
Median household income, Number of households that receive NZ superannuation - Stats NZ, Census 2013
Rates revenue as reported in the financial statement 2016/17

Corporate Services

KPI: Cost of administrative and support services as a percentage of organisational running cost



Notes:

Administrative and support services include HR, Finance, ICT, Procurement, Corporate and Executive services (governance, legal, communications, strategy, risk and performance management)

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QUEENSTOWN LAKES DISTRICT COUNCIL