Annual report
Rīpoata ā-tau

2018/19

QUEENSTOWN LAKES DISTRICT COUNCIL

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Rāraki take

Section 01: Overview

Wāhaka 01: Whakarāpopototaka

Chief Executive's report

For a number of years, this Council has acknowledged that the district is undergoing a prolonged period of growth. That growth, as yet, shows no significant sign of slowing in the foreseeable future with our resident population increasing like never before. We have previously stated that we need to be adequately prepared for this growth and this requires comprehensive, considered planning. The last 12 months has reflected this planning focus with work underway across the district. Three rounds of engagement with the community began in September for the Wānaka Masterplan where the team spoke with over 1,700 people at 17 events, receiving a total of 1,297 items of feedback. The Frankton Masterplan was launched in July 2018 and asked the Wakatipu community to think about life in Te Kirikiri Frankton in 2048, with clear early insights shaping a draft plan for a well-connected local hub with a strong heart.

Planning how people will move to and around these well-designed local centres has been the challenge taken up by the Wakatipu Way To Go programme. This is a partnership between the Council, Otago Regional Council and the New Zealand Transport Agency which was launched in January 2019. This partnership brings to life a shared commitment to provide the district's community with an enduring, affordable, safe transport system with a range of choices. The first phase of work has focused on Wakatipu transport infrastructure and public transport options, but the programme will be extended to include the Upper Clutha in the next financial year.

The Council also recognised that there was a need for a unifying long-term aspirational goal to underpin the various masterplanning exercises. In August 2018, Mayor Boult announced that the Council would facilitate the development of a community vision looking at life beyond 2050. Addressing key areas of concern such as our environment, employment opportunity, community resilience and embracing Te Ao Māori, the draft vision was developed through community consultation and key stakeholder input. In March 2019, the Council committed to this vision entitled, "A Unique Place, An Inspiring Future| He Wāhi Tūhāhā, He Āmua Whakaohooho", and work will continue to support the embedding of this vision in 2019-2020.

Funding these infrastructure challenges was brought to the fore in March 2019, when the Council announced that it would be holding the district's first non-binding referendum on the proposed implementation of a visitor levy. The Council has been advocating with Central Government for over two years for an alternative source of funding, recognising that the burden of funding infrastructure cannot sit solely with our small ratepayer base. Although some sectors in the community favoured other funding concepts, in June the results reflected that the majority of voters supported the proposal with 81.17% of the return in favour. The overall turnout for the vote was 42.04%, with 30% return for a non-binding referendum considered high.

On the subject of growth we have to acknowledge the significant volume of resource and building consent applications from the last financial year processed by the QLDC Planning & Development Teams. Between July 2018 and June 2019 the Council has issued 1,444 resource consents and 1,933 building consents demonstrating the consistently high volume of people who are choosing to make our district their home or an ideal place for their business.

Community investment delivered some exciting new facilities in the last financial year. The new Bathhouse Playground was opened in October 2018 on the lakefront of Whakatipu Waimāori Lake Wakatipu. Opened by Mayor Boult, and well attended by local children, the first destination playground for Tāhuna Queenstown is aimed at creating a CBD that families will want to visit and spend time in. In December 2018, Te Kirikiri Frankton became home to the new Frankton Library at Remarkables Park after the successful trial of a pop-up library at the Queenstown Events Centre demonstrated a strong demand for local library services. Future investment also received a boost in February 2019, with the purchase of the 14-hectare property at 516 Frankton-Ladies Mile. At a net cost of $13.78M the purchase will provide much-needed community assets and services in the Lake Hayes Estate and Shotover Country areas, including open spaces and recreation facilities.

The shift towards responsible camping in Queenstown Lakes received sizeable investment from Central Government through two channels. In August 2018, the Council was advised we would receive $0.5M which was invested in a trial for the summer of two overnight and two day-only service hubs. Providing toilet, shower and waste disposal facilities, as well as funding increased enforcement and educationally-focused responsible camping ambassadors, saw a significant reduction in camping related complaints and damage to our local environment. The Tourism Infrastructure Fund also awarded the Council $2.39M for investment in public toilet facilities in September 2018.

Ahead of developing a masterplan for the future of services at Queenstown Events Centre and Wānaka Recreation Centre, the Council's Sport & Recreation team undertook community engagement on a draft Sport & Recreation Facility Strategy. The draft strategy was the result of a partnership between QLDC, Central Otago District Council, Sport New Zealand, Sport Otago, Sport Southland, Central Lakes Trust, Otago Community Trust and Community South, and provides a framework for planning sports and recreational facilities and considers the various perspectives from national level through to reflecting the needs at a local level. These masterplans will build on the success of both venues, recognising growth exceeding expectations particularly in the Wānaka Recreation Centre swimming pool.

Preparations for a new district-wide waste and recycling service commenced to provide a consistent approach to waste management for everyone resident, getting everyone on the same journey towards zero waste. The new colour-coded wheelie bins started rolling out from May 2019, shortly after a new $50k Waste Minimisation Community Fund was launched. The new service is a partnership between established provider Waste Management and local community initiative Wastebusters, which brings a new focus on education alongside innovations such as electric collection vehicles and bikes.

Progress on the ambitious 2018-2028 Ten Year Plan 3 Waters projects saw a big step forwards with the start of the Frankton Stormwater upgrade. This significant upgrade will provide for current and future stormwater capacity in this growing part of the district, and a benefit of the project is that the excess fill from the site will create a new sports field above the Remarkables Primary School. Progress with connecting Upper Clutha communities to the Project Pure treatment plant has also been made to create a more efficient, robust wastewater network around the Wānaka area.

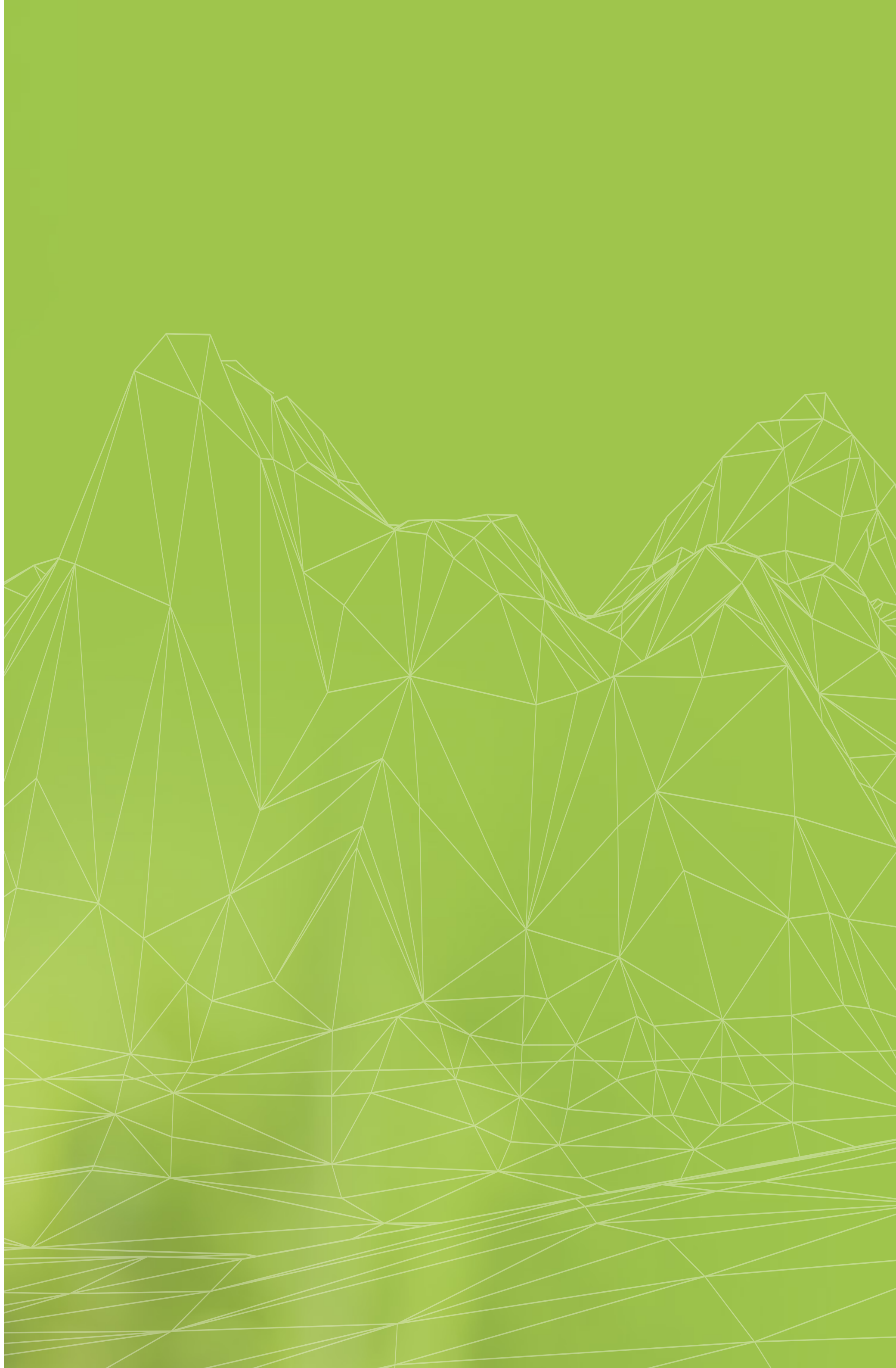
The District Plan review continues to be a major programme of work for the Council's Planning Policy Team. Stage 1 decisions on the first 33 key chapters are now under appeal. Stage 2 is made up of six topics (transport, earthworks, signs, visitor accommodation, Wakatipu Basin land use, open space and recreation) and decisions on the matters heard were notified in March 2019. Preparatory work had been undertaken through the My Place engagement in February for Stage 3 and at the time of writing this report, this third stage was notified ready for consultation on topics such as township and industrial zones, and sites of significance to Māori.

In February, Wakatipu was chosen by Kāi Tahu to host the Otago Southland Te Tiriti o Waitangi commemorations, which was a first for the area. The commemorations included a procession from Earnslaw Park to a temporary marae at the Recreation Ground. Diverse cultural performances and kai from a variety of vendors gave people from our district to understand the value of the treaty in today's society and to demonstrate the pride we have in our past, present and future.

I would like to acknowledge the contribution of the elected representatives on both the Council and the Wānaka Community Board, and that the outstanding facilities and effective services delivered to the Queenstown Lakes communities 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 2018/19

STATEMENT OF FINANCIAL PERFORMANCE

QLDC recorded a surplus of $52.9m for the year. This is up from the $51.5m surplus recorded last year and down against a budget of $58.0m. The main reasons for the lower surplus against budget, which is not profit, are related to higher expenses ($7.4m) to budget.

Revenue was above estimate by 1.0% or $2.0m and expenditure was over by 5.2% or $7.2m. This reflects continued extremely high levels of activity across all activities.

The following major items contributed to this variance:

- Increased vested asset income of $25.3m for the year; this non-cash income reflects the value of assets passed to Council as a result of continued high levels of development activity in the district.
- A decrease in development contribution income of $2.2m which is related to the level of development activity within the district. This income can only be used to fund growth-related capital expenditure.
- The deferral of the expected Commonage Land sales to 2019/20 created an unfavourable variance of $24.8m

The surplus includes the following:

- $3.0m of net unrealised gains as a result of the revaluation of investment property, interest rate swaps and forestry assets as at 30 June 2019.

Operating expenditure was $7.2m (5.2%) over budget for the year ended 30 June 2019. $4.0m of this negative variance is due to an increase in loss provision 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 $1.3m 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 most of this additional cost is recovered in revenue.
- Interest expense for the year were $2.8m less than budget. This is a result of the timing of some capital works and lower than expected interest rates.
- Costs for road maintenance were $1.7m above budget for the year, mainly as a result of emergency work along with environmental maintenance.
- Increased costs of $1.9m for handling volumes of solid waste for the year, that were larger than expected.
- Depreciation and amortisation expenses were higher than budget by $2.4m, largely as a result of updated valuations for infrastructure assets as 30 June 2019.
- The negative variance for operational costs was offset by a $2.4m positive variance as result of the the deferral of the Coronet Forest harvest.

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 $28.7m for the year ended 30 June 2019.

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

  - N East Frankton Stormwater conveyance
    (2018/19 budget of $6.77m versus actual spend of $4.86m - Project completion programmed for 2019/20);
  - Queenstown Town Centre Pedestrianisation
    (2018/19 budget of $2.50m versus actual spend of $1.13m - Project dependent on NZTA funding and is programmed for delivery between 2019 to 2026);
  - Willow Place WWPS Rising Main upgrade
    (2018/19 budget of $1.12m versus actual spend of $0.20m - Project completion programmed for 2019/20);
  - Wanaka Minor Improvements
    (2018/19 budget of $2.09m versus actual spend of $1.21m - Project completion programmed for 2019/20);

> Reduced capital expenditure in the last 3 years, as well as the sale of the Scurr Heights land in 2016 and the prepayment for the Wanaka Airport lease last year, results in borrowings that are $51.8m below forecast. Total debt as at 30 June 2019 is $106.3m compared to a forecast of $158.1m.

STATEMENT OF CHANGES IN EQUITY

Accumulated differences between actual and budgeted net surpluses as described above for 2019, as well as the impact of infrastructure asset revaluations; prior investment property revaluations and reduced borrowings, has resulted in an equity variance of $420m 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) were $64.6 million below estimate and a prepayment was received for the Wanaka Airport lease last year. Consequently, net borrowings were around $22.6 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 8-21) of the 2018 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. It is also critical that an alternative funding mechanism to support the continued investment in tourism-related infrastructure is agreed with central government. It is unreasonable to expect local ratepayers to fund tourism-related infrastructure where it can be demonstrated that the main beneficiaries are visitors to the district, the wider region and New Zealand as a whole.

If this aim is successfully realised, the following outcomes should be achieved:

> a prioritised capital programme, delivering the 'right' projects ahead of growth so that development is supported in the appropriate areas;

> rates increases (subject to changes in growth forecasts) are set at maximum of 10.8% gross (7% net) per annum for the first three years and 9.0% gross (5.5% net) per annum for years four to ten;

> debt levels maintained at affordable levels (i.e. within borrowing limits);

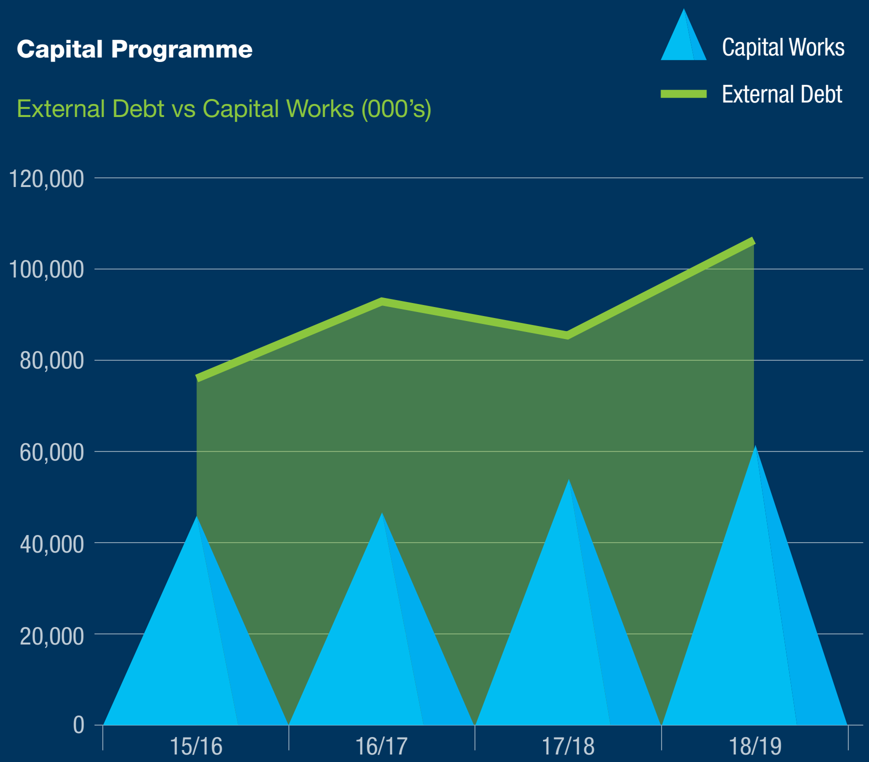
> debt levels at the end of the ten year period have stabilised and sufficient headroom exists to provide financing flexibility for future councils; and

> excellent service continued to be provided within financial constraints.

REPORTING BACK ON FINANCIAL STRATEGY

Capital Programme

External Debt vs Capital Works (000's)

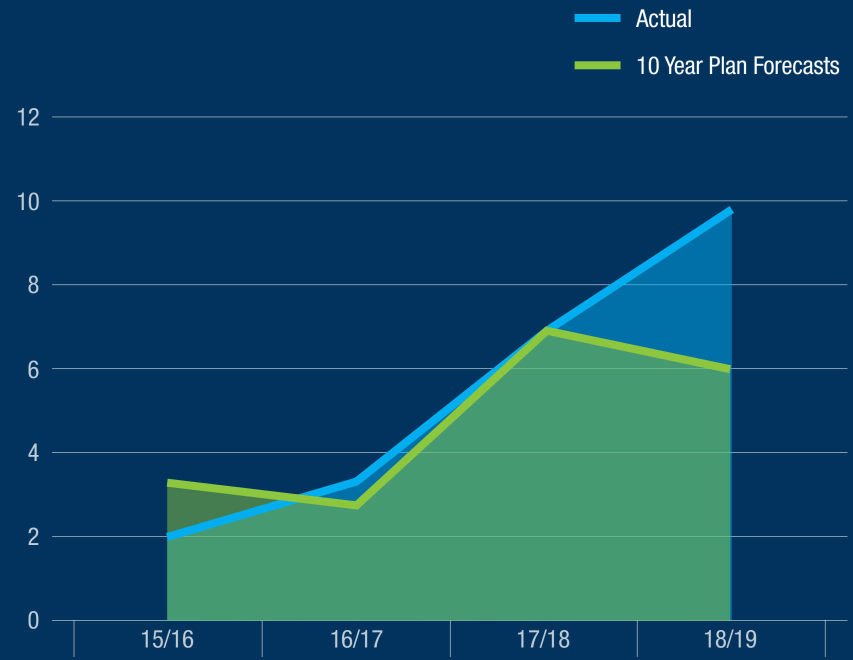


The graph above shows that the actual spend on capital projects has increased significantly for the last three years compared to 2015/16. The result for 2018/19 is positive when compared to previous years but is still some $53m short of the original 2018 Ten Year Plan budget for 2018/19. This is due to the deliberate re-programming of the 3 Waters capital programme as a result of contractor feedback and the delay in the NZTA approval process for major transport improvements in Queenstown.

RATES

The graph below shows the actual rates increases over the past four years compared to the increases forecast in the Ten Year Plan. The total rates for 2019/20 are higher than forecast and reflect the impact of the new solid waste contract which offers a universal (3 bin) residential and recycling service from 1 July 2019, with the result that ratepayers no longer have to privately contract for the residual waste collection service. Overall, the new contract structure adds approximately 3.25% to rates. In addition to this, the Council agreed to support the submission from Destination Queenstown to increase its funding allocation to $4.5m for 2019/20 from $3.6m in 2018/19. Neither of these factors had been included into the forecasted rates for 2019/20.

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

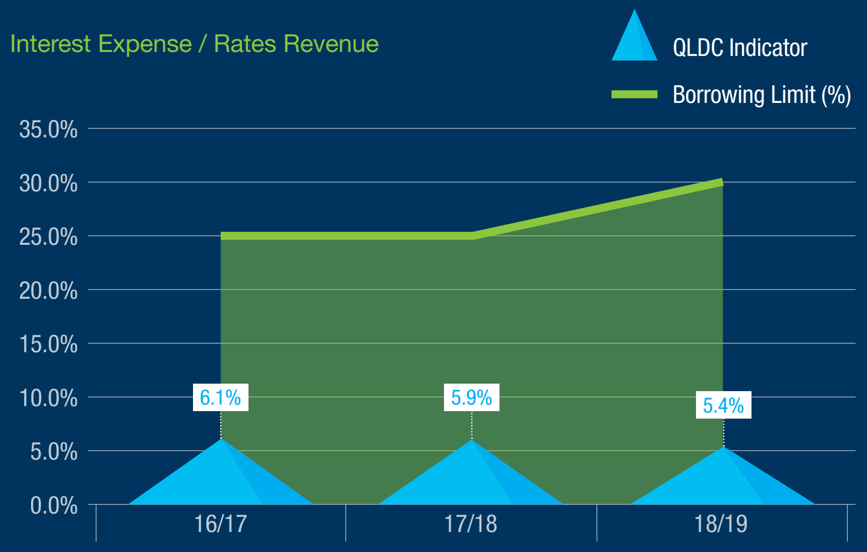


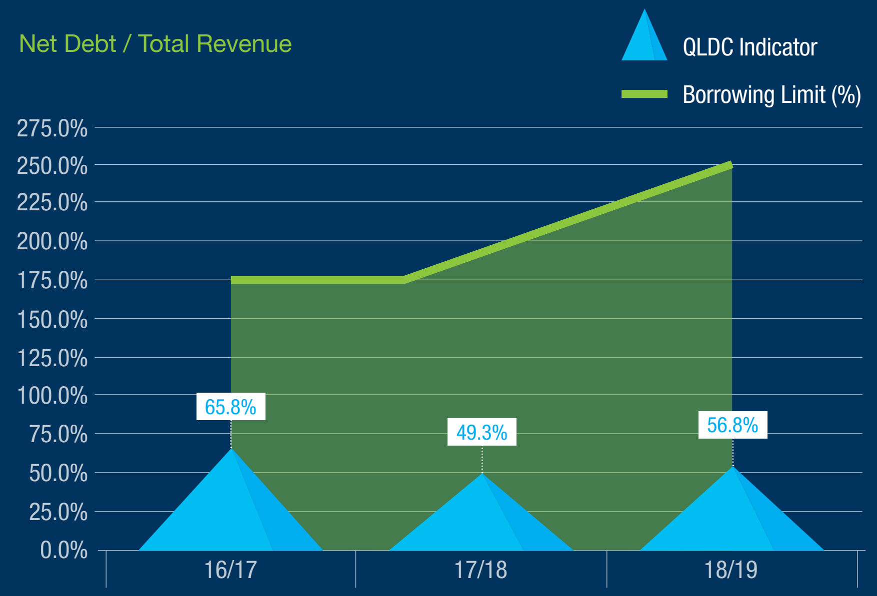
DEBT LEVELS

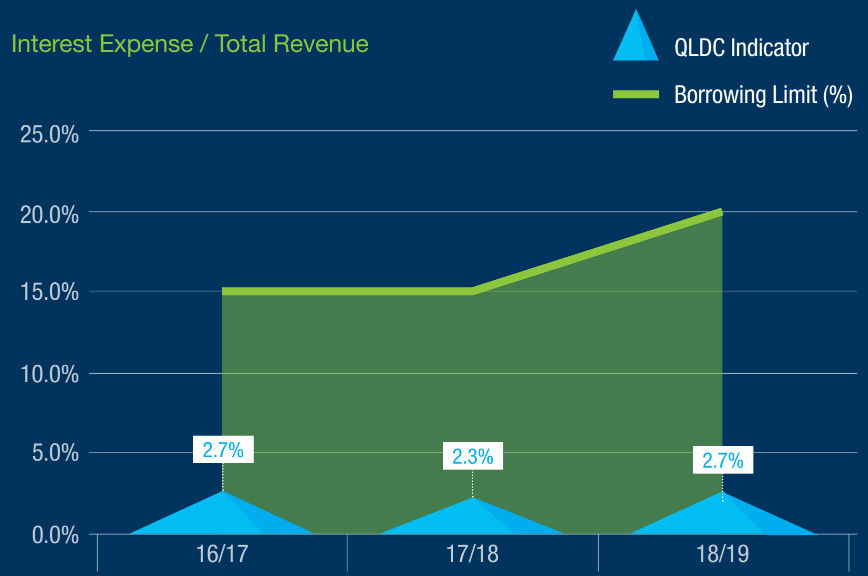
In order to deliver the large capital programme included in the 2018-28 Ten Year Plan, the Council will need to rely on borrowing. The Council has spent a considerable amount of time and effort working through the capital programme to ensure it is affordable and deliverable. The actual external debt at 30 June 2019 was $106.3m; this is $20.8m more than June 2018 and $51.8m less than the amount forecast in the 2018 Ten Year Plan. This is largely due to the re-programming of the 3 Waters capital programme as a result of contractor feedback and the delay in the NZTA approval process for major transport improvements in Queenstown.

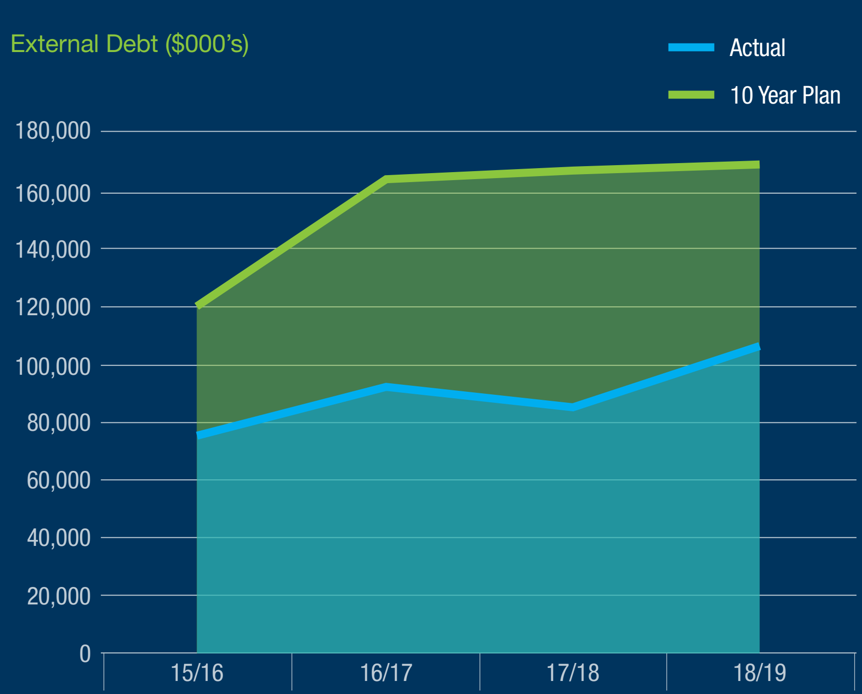
The actual and proposed levels of debt are now within all of the Council's borrowing limits:

LGFA Borrowing Limits (%)	Actual 2016/17	Actual 2017/18	Actual 2018/19	Forecast 2019/20
Interest Expense/ Rates < 30%	6.1%	5.9%	5.4%	9.1%
Interest Expense/ Total Revenue < 20%	2.7%	2.3%	2.7%	4.0%
Net Debt/Total Revenue < 250%	65.8%	49.3%	56.8%	94.8%









The above graph shows the forecasted debt levels compared to actual debt levels up to 2018/19. As can be seen, actual debt levels are significantly reduced. The actual external debt at 30 June 2019 was $85m and is $51.8m less than the amount forecast in the 2018 Ten Year Plan.

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 2018/19

Notable infrastructure projects that have been substantially advanced or completed during the 2019/20 financial year:

Project	*Cost at Year End 2019 ($)*
Project Shotover new Wastewater Disposal Field	6,345,352
North East Frankton Stormwater conveyance	5,142,382
Water Taxi service/ferry network	3,168,172
Luggate new Wastewater Pump Station and connection to Project Pure	2,193,665
Kawarau Bridge Remarkables Park Wastewater Rising Main	1,766,399
Frankton Water Supply Ring Main (Robertson St)	1,699,047

Carry-forward projects totalling $47.1m were approved by the Council in August 2019 for completion in 2019/20.

Projects in excess of $400k are as follows:

Project	*Cost at Year End 2019 ($)*
North East Frankton Stormwater conveyance	2,413,224
Ballantyne Road Reseal	2,204,839
Wanaka Lakefront Development Plan	2,067,910
Wanaka Land Reserve	2,000,000
Queenstown Town Centre Pedestrianisation	1,371,644
Willow Place Wastewater Pump Station Rising Main upgrade	1,267,080
Arrowtown new Water Pump Station and bores	1,214,293
Glenorchy Special Purpose Road Minor Improvements	1,024,055
Two new stadium courts added to Queenstown Events Centre	919,870
Queenstown Parking Improvements	910,111
Wanaka - Minor Improvements	880,145
Luggate new Wastewater Pump Station and connection to Project Pure	809,417
Recreation Ground new Wastewater Pump Station	795,057
Beacon Point new Reservoir	704,290
Town Centre Arterials	632,818
Shotover Country Water Supply new Water Treatment Plant	602,029
Wakatipu Active Travel Network	558,640
Capell Ave Hawea Watermain extension	528,004
Wanaka Water Trunk Main stage 1	490,792
Queenstown Gardens Development Plan	488,909
Crown Range Special Purpose Road - sealed road resurfacing	483,976
Kingston Housing Infrastructure Fund Wastewater new scheme	468,172
Arrowtown Community Pool Refurbishment	459,691
Luggate Hall Replacement	458,379
Wakatipu Sealed Road pavement rehab	454,196
Queenstown Central Business District Pressure Release Valves	423,378

Fact file

PROJECTIONS

Growth and population assumptions

To assist with future planning, the Council has spent considerable time and effort developing comprehensive growth projections. These have been estimated using the best information available which includes forecasts at the district, ward and census area unit level.

Projections have been developed for:

- The resident population;
- The number of visitors (day visitors, visitors in private residences and those in commercial accommodation);
- The number of occupied and unoccupied dwellings that will be required in the future; and
- The number of visitor units that will be required in the future.

This information is analysed to compare numbers on an average day and on a peak day.

Because growth continues to be district-wide, our projections include all of our communities, urban, rural, large and small. The projections are based on a 'business as usual' model and do not assume any capacity constraints currently.

AVERAGE DAY POPULATION

Source: QLDC Projections to 2058, December 2018

Average Day Population	2019	2028	2048
Wānaka Ward	21,245	28,429	36,109
Wakatipu Ward	45,884	59,460	77,329
Whole District	67,129	87,888	113,437

The **average day population** for the district is expected to increase from an estimated 67,129 people in 2019 to an estimated 87,888 in 2028. This is a growth rate of 3.2% per annum. This consists of residents and visitors of all types.

Of the **average day population**, around 61% is the usually resident population. Approximately 69% of these residents will live in the Wakatipu Ward and the remainder in the Wanaka Ward.

PEAK DAY POPULATION

Source: QLDC Projections to 2058, December 2018

Peak Day Population	2019	2028	2048
Wānaka Ward	48,560	61,288	76,728
Wakatipu Ward	74,689	94,859	124,046
Whole District	123,249	156,147	200,774

The **peak day population** for the district is expected to increase from an estimated 123,249 in 2019 to an estimated 156,147 in 2028. This is a growth rate of 2.8% per annum. This consists of residents and visitors of all types.

The peak period typically falls over the New Year period (late December / early January) and is relatively short. The projection is particularly important for infrastructure planning, ensuring that roads, waste and 3 waters are able to cope with peak activity.


USUALLY RESIDENT POPULATION
TOTAL VISITOR
AVERAGE DAY POPULATION
67,129
AVERAGE DAY
TOTAL 2019
41,400
25,729
87,888
AVERAGE DAY
TOTAL 2028
56,400
31,488
PEAK DAY POPULATION
123,249
PEAK DAY
TOTAL 2019
41,400
81,849
156,147
PEAK DAY
TOTAL 2028
56,400
99,747

Delegated responsibilities as at 30 June 2019

COUNCIL COMMITTEES

- Audit, Finance and Risk Committee
- Planning & Strategy Committee
- Infrastructure Committee
- Community and Services Committee
- Appeals Subcommittee
- District Licensing Committee
- Traffic and Parking Subcommittee
- Chief Executive Performance Review Committee
- QLDC/CODC Coronet Forest Joint Committee
- Dog Control Committee

COUNCILLORS

MAYOR

Jim Boult

ARROWTOWN WARD

Scott Stevens

WAKATIPU WARD

Alexa Forbes

Penny Clark

Craig (Ferg) Ferguson

Tony Hill

John MacDonald

Valerie Miller

WĀNAKA WARD

Calum Macleod
Deputy Mayor

Ross McRobie

Quentin Smith

WĀNAKA COMMUNITY BOARD

CHAIR

Quentin Smith

DEPUTY CHAIR

Ruth Harrison

Calum Macleod

Ross McRobie

Rachel Brown

Ed Taylor

Jude Battson

MANAGEMENT GROUP

CHIEF EXECUTIVE

Mike Theelen

GENERAL MANAGERS

Meaghan Miller
GM, Corporate Services

Stewart Burns
GM, Finance, Legal and Regulatory

Peter Hansby
GM, Property and Infrastructure

Tony Avery
GM, Planning and Dvelopment

Thunes Cloete
GM, Community Services

Contact us

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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

Auckland

SISTER CITIES

Aspen, Colorado, USA (Queenstown)

Hangzhou, China

Governance report

ROLE OF 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 the 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 section 42 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.

The Council committees include:

- Audit, Finance and Risk Committee
- Planning and Strategy Committee
- Infrastructure Committee
- Community and Services Committee
- Appeals Subcommittee
- Traffic and Parking 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 (QLDC) 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

The Council established an Audit and Risk Committee in November 2013 and adopted a Risk Management Framework in 2015. In March 2019, the Council adopted a new Risk Management Policy which included a revision of the Risk Management Framework and the implementation of a new online risk management system.

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 four staff solicitors.

RELATIONSHIP WITH MĀORI

Maintaining and cultivating our relationship with Māori is an important consideration for Council. In addition to ensuring that the Māori perspective and needs are reflected through effective consultation, we believe it is important to demonstrate our commitment to tākata whenua and their community values, issues and aspirations as they relate to economic, social, cultural and environmental well-being.

As a Council, our district is part of the Kāi Tahu Iwi, straddling both the Murihiku and Ōtākou rohe. This position requires that we develop relationships with both Te Ao Marama and Aukaha rūnaka; partnerships that we value and continue to nurture. At a practical level we welcome input from both rūnaka into important planning and environmental matters.

In the last year we have embarked on a new programme of staff development to develop a greater understanding of the treaty and our obligations as local government. Staff began development on this programme early in 2018 with the first workshops being completed in November 2018. Since initiating the programme, a third of staff have completed the workshops which will become a standard part of the induction for all new employees.

Staff were encouraged in the use of Te Reo in both spoken and written Council communications, a development that is supported by Te Reo language programmes being offered for staff. Many formal meetings now include the use of karakia or mihimihi, and resources are available for staff that wish to develop their use of Te Reo further.

The Council has also developed a Te Tiriti o Waitangi Implementation Framework which defines key goals for how Council will engage with and honour the partnership with mana whenua and all Māori in our district. This is supported by an action plan for all areas of the organisation to increase competency and capability in this important aspect of Council's work.

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 2019 fairly present the financial position and operations of Queenstown Lakes District Council.

JIM BOULT

Mayor
10 October 2019

MIKE THEELEN

Chief Executive
10 October 2019

Section 02: Statement of service performance

Wāhaka 2: Te tauākī ā kā ratoka kaunihera

What's new?

WELL-BEING RETURNS TO THE LOCAL GOVERNMENT ACT

In May 2019, the Local Government Act was amended to ensure that community well-being remained at the centre of all planning, delivery and decision-making. The amendment specifies that the purpose of local government is *"to promote the social, economic, environmental and cultural well-being of communities in the present and for the future."*

This formalises the approach that QLDC has always taken, providing a useful intergenerational and well-being based lens for future strategies and initiatives.

VISITOR LEVY REFERENDUM

QLDC continues to work with central government to develop opportunities for a local visitor levy, reflecting the importance of the district's tourism economy on the national stage. The purpose of the levy will be to subsidise visitor-related infrastructure, so that the burden of cost doesn't fall disproportionately to the district's ratepayers.

In order to gauge community support for the introduction of the levy, QLDC held a referendum on the issue. With a turnout of 42.04% of voters, 81.17% voted in favour of the levy. Work now continues with central government to establish a path to delivering a visitor levy for the district.

QUALITY OF LIFE SURVEY

This Annual Report reflects the findings from the first year of QLDC's new Quality of Life Survey. The new-style survey focuses upon the well-being of the district's residents and seeks to explore a broad range of issues in our community, not just the services that QLDC provides directly. A record number of responses was received to the survey and the data is being used to shape services and build a more detailed understanding of what's needed where.

A copy of the 18/19 Quality of Life Survey can be found on the QLDC website and the next survey will be issued in October 2019.

GROWTH

The district continues to experience growth, which shows no sign of slowing into the future. This growth needs to be understood in its separate components, as the challenges and opportunities presented by each can be quite different. For example, residential growth places pressure on some infrastructure services, yet opens the door to conversations about increased public transport offerings. It is important to understand and assess growth across the economy, residential numbers and visitor numbers quite differently.

Our visitor numbers have increased too, including international, domestic and visiting friends and family.

The latest population increases can be found on page 14.

VISION BEYOND 2050

A Unique Place, An Inspiring Future | He Wāhi Tūhāhā, He Āmua Whakaohooho

In August 2018, Mayor Boult launched Vision Beyond 2050, asking the community to develop a long-term aspirational vision for the district. Facilitated by QLDC, a Foundation Group developed the initial strategic direction. In October 2018, a large-scale community workshop was held, with representatives from across a wide range of groups who helped define and shape the issues that matter to our community.

This energy and enthusiasm was channelled into the development of a set of vision statements that the whole community can use to influence the way the district develops. The Council committed to following the vision and the organisation will be taking steps over the next 12 months to embed it in everything it does. QLDC wants to encourage everyone to explore what the vision means to them and how they can contribute to its achievement.

The vision is:

A unique place. An inspiring future.

He Wāhi Tūhāhā. He Āmua Whakaohooho.

VISION BEYOND 2050

Thriving people | Whakapuāwai Hapori

Ours is a community with a strong heart and whānau roots that run deep.

Ours is the most accessible, barrier-free district in Aotearoa New Zealand for all people

People of all ages are able to seek a future here

Everyone can find a healthy home in a place they choose to be

Our environments and services promote and support health, activity and wellbeing for all

Our doors and minds are open; everybody is warmly welcomed

Embracing the Māori world | Whakatinana i te ao Māori

Ours is a district that honours Te Tiriti o Waitangi and champions equality for all our people.

We celebrate the unique history of our rohe and Aotearoa New Zealand

Our kōrero is strong in both Te Reo and English

Our diverse, multicultural past and present strengthens our district's future

Our Māori ancestry and European heritage are both reflected and enrich our lives

Opportunities for all | He ōhaka taurikura

Our district is a place of social, environmental and technological enterprise.

Our economy is strong and diverse with sustainable and inclusive growth

Ours is a place that works hard and thinks big, where workers and entrepreneurs flourish and inequality is reduced

Technology enables us to connect locally, regionally and globally

Breathtaking creativity | Whakaohooho Auahataka

Surrounded by the endless inspiration of our landscapes, ours is a place that nurtures the arts, culture and the spirit of invention.

Our breath-taking landscapes and diverse people attract strong talent and create space for reflection

Free-thinking innovation and locally distinct arts make our place a byword for brilliance

Artists and art lovers unite in both dedicated spaces and beyond the boundaries of venues and facilities

Our economy supports arts, culture and heritage industries

Deafening dawn chorus | Waraki

Our ecosystems flourish and are predator-free under our kaitiakitanga.

- We are all kaitiaki of our protected and restored incredible environment, flora and fauna
- Our waterways and lakes are drinkable
- Our people and visitors respect the privilege of accessing our rivers, lakes and mountains
- We set the standard for combating biodiversity loss

Zero carbon communities | Parakore hapori

From Makarora to Kingston, our district sets the standard for regenerative, low-impact living, working and travel.

- Our homes and buildings take the best ideas from the world, but use sustainable, locally-sourced materials
- Our public transport is the cleanest, greenest, innovative choice for district-wide connectivity
- Active travel is an integral part of an accessible and safe network for all of our people
- Zero waste is just something that we do here

Disaster-defying resilience | He Hapori Aumangea

Queenstown Lakes is a place that is ready and prepared for every emergency.

- Our communities are resilient to disasters and adapting to a changing global climate
- Our people stand tall through any challenge, caring for whānau, neighbours and visitors alike
- Our infrastructure is as resilient as our people
- Recovery empowers our people to quickly find a new normal

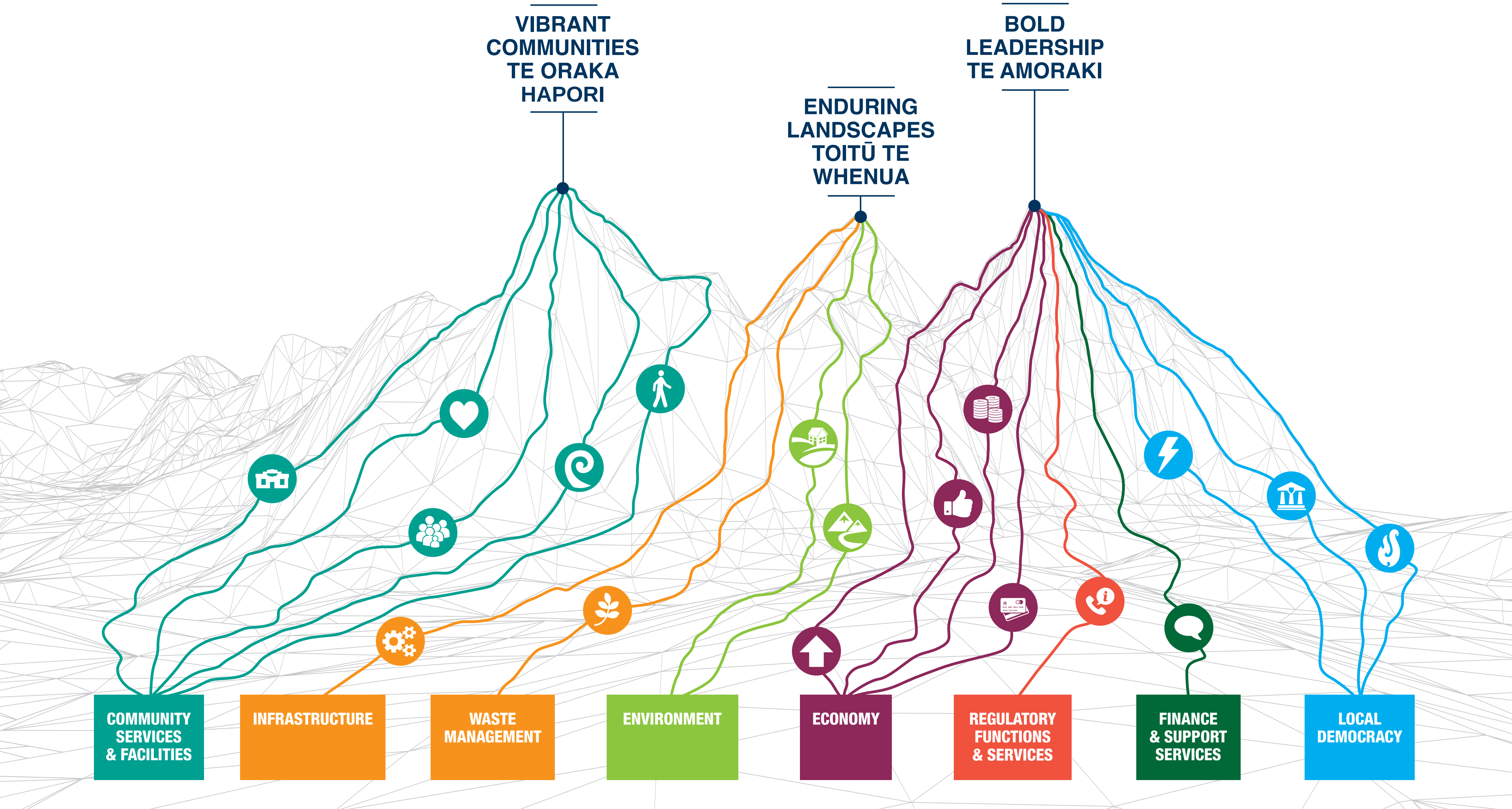
Pride in sharing our places | Kia noho tahi tātou kātoa

Our district is a place where our quality of life is enhanced by growth through innovation and thoughtful management.

- Our lives are enhanced by measuring wealth in wellbeing as well as dollars
- Our welcome is warm and genuine, and visitors respect what is expected of them
- Our everyday experiences are enriched by focusing on shared values not volume
- We are the place the rest of the world cannot be

Community outcomes and activities

QLDC'S VISION



OUR COMMUNITY OUTCOMES

COMMUNITY SERVICES & FACILITIES

- Efficient and effective community facilities
- Communities have a good standard of living and wellbeing
- Communities are inclusive for all
- Strong cultural landscape that inspires, preserves and celebrates our heritage, arts and culture
- Appropriate public access

INFRASTRUCTURE AND WASTE MANAGEMENT

- Efficient and effective infrastructure
- Environmental sustainability and low impact living is highly valued

ENVIRONMENT

- Quality built environments that meet local needs and respect the local character
- World class landscapes are protected

ECONOMY

- Sustainable growth management
- Partnering for success
- Investing strategically
- Enabling diversification

REGULATORY FUNCTIONS & SERVICES

- A responsive organisation

FINANCE & SUPPORT SERVICES

- An organisation that consults effectively and makes sound decisions

LOCAL DEMOCRACY

- Communities are resilient and prepared for civil defence emergency events
- An organisation that demonstrates leadership
- An organisation that considers the district's partnership with Mana Whenua

OUR ACTIVITIES

VIBRANT COMMUNITIES TE ORAKA HAPORI

- COMMUNITY SERVICES & FACILITIES

ENDURING LANDSCAPES TOITŪ TE WHENUA

- ENVIRONMENT
- WASTE MANAGEMENT
- INFRASTRUCTURE
  - WATER SUPPLY
  - WASTEWATER
  - STORMWATER
  - TRANSPORT INCLUDING ROADING, PARKING & FOOTPATHS

BOLD LEADERSHIP TE AMORAKI

- ECONOMY
- REGULATORY FUNCTIONS & SERVICES
- FINANCE & SUPPORT SERVICES
- LOCAL DEMOCRACY

Vibrant communities
Te oraka hapori

WANAKA
| Wanaka Recreation Centre sports field floodlights
| Wanaka Lakefront development plan
| Mt Aspiring toilets installed
| New playground, BBQ and shelter at Allenby Park

GLENORCHY
| Glenorchy waterfront carpark

WAKATIPU
| Safety improvements including handrails installed on the Kelvin Peninsula Trail
| Premier trails in Wakatipu put on google maps.
| Lower Shotover Cemetery and baby memorial opened
| Dr William Anderson Park opened
| Bathhouse Playground opened

LUGGATE
| Community Hall project in progress

ARROWTOWN
| Design in progress for community pool upgrade
| Jack Reid field improvements completed
| Athenaeum Hall renovations

KINGSTON
| Structural assessment of Historic Jetty
| Library renewals

Community services and facilities

- Efficient and effective community facilities
- Communities have a good standard of living and wellbeing
- Communities are inclusive for all
- Strong cultural landscape that inspires, preserves and celebrates our heritage, arts and culture
- Appropriate public access

About community services and facilities

WHAT WE DELIVER

The Queenstown Lakes district has eight public libraries and are linked in a joint venture with Central Otago District Council (CODC), which provides borrowers with access to all 15 branches across both districts.

QLDC is responsible for over 2,000 ha of parks and reserves. It provides playgrounds, facilitates activities, and maintains a network of walking and cycle trails. Our staff also take care of the Queenstown Gardens and all amenity horticulture work within the Queenstown, Arrowtown and Wanaka CBDs.

QLDC owns three forests: Ben Lomond Reserve, Queenstown Hill Reserve, and Coronet Forest. CODC's share of Coronet Forest was purchased by QLDC in the 2018-19 year. All three forests are managed through individual forestry plans.

The Council's venues and facilities provide a range of sport, recreation and aquatic facilities throughout the district. While some of these venues are large, multi-purpose recreation and community venues, community halls support local needs and are usually managed by hall committees with the Council's support.

There are 72 public toilets throughout the district. New public toilets are fitted with usage counters to enable continuous improvement and to ensure all public toilets are clean, accessible and conveniently located.

The QLDC manages 12 cemeteries, many of which are of historical significance. A new cemetery has opened at Lower Shotover this year.

QLDC owns, manages and maintains 20 social housing units: nine one-bedroom elderly person's flats, five residential houses, and six residential apartments.

QLDC funds community groups and activities through in-kind support and grants. Further community funding is approved through the Annual Plan consultation process for one-off amounts towards specific projects and activities. Most of the groups supported are either set up as trusts or registered incorporated societies. Council staff also help community groups to access support from other funders.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

- The Coronet Forest early removal was approved by Council and work is underway to secure a contractor to carry out this work.
- The premier trails in Wanaka and Wakatipu were put on google maps earlier this year. Safety improvements including handrails were installed on the Kelvin Peninsula Trail and Arrowtown River Trail. The Arrow River trail works were completed at the beginning of the year and the Kelvin Peninsula improvements are underway.
- Parks and Reserves team are currently updating QLDC's Open Spaces Strategy.
- A focus is on drafting new management plans for reserve areas and updating and amending the current Reserve Management Plans.
- The Wanaka Pool build was completed in June 2018 and is now fully operational.
- Arrowtown Community Centre build was completed and became operational in January 2019.
- Jack Reid Park sports field upgrade was completed in April 2019.
- The opening of the interim Frankton Library has provided a space to foster the wellbeing of the residents and visitors of Queenstown Lakes District through a feeling of community connection and belonging. 800 new borrowers joined Frankton Library and 39,438 items issued to Frankton community since opening date.
- The development of the Library Strategy 2020-2030 commenced in April 2019 and will reference the International Federation of Library Associations and Institutions (IFLA) Sustainable Development goals. These include: Promoting universal literacy; Supporting informed research and public access to information; The preservation of indigenous knowledge; The provision of access to lifelong learning; The safeguarding and preservation of local history, in any form, for future generations.

HOW MUCH IT COST

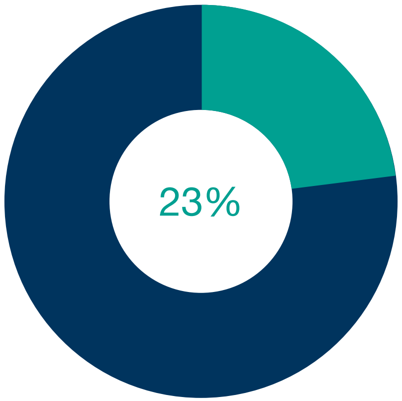
Breakdown of service cost

Community Services & Facilities	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	1,613	2,183	1,448
Targeted rates	14,836	19,003	19,124
Subsidies & grants for operating expenditure	97	314	1,917
Fees & charges	4,185	5,539	5,340
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	2,146	3,077	3,861
Total sources of operating funding	**22,877**	**30,116**	**31,690**
Applications of operating funding			
Payments to staff and suppliers	13,758	21,418	21,471
Finance costs	2,571	1,693	902
Internal charges applied	4,571	4,198	4,221
Other operating funding applications	-	-	-
Total applications of operating funding	**20,900**	**27,309**	**26,594**
Surplus/(deficit) of operating funding	**1,977**	**2,807**	**5,096**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	31	-
Development and financial contributions	1,996	1,706	3,086
Increase/(decrease) in debt	-1,273	911	273
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**723**	**2,648**	**3,359**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	259	1,890	2,696
- to replace existing assets	1,223	5,876	3,899
- to improve the level of service	719	4,926	3,031
Increase/(decrease) in reserves	499	(7,237)	(1,171)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**2,700**	**5,455**	**8,455**
Surplus/(deficit) of capital funding	**(1,977)**	**(2,807)**	**(5,096)**
Funding balance	**-**	**-**	**-**

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Community expenditure of $26,594,000



Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Not applicable	Wanaka Lakefront Development Plan $1.1m, Arrowtown Community & Sports Centre $0.9m, Bathhouse Playground $0.8m.	Wanaka Lakefront Development Plan LTP budget $2.5m vs actual spend $1.1. Stage 2 awaiting decision on preferred options.

Summary of internal borrowings

Activity	30 June 2019 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 Services & Facilities	10,030	1,012	1,591	433

Case study – Frankton library

Following the success of the 'pop-up' library service at Queenstown Events Centre, the Frankton library was opened on the 15 December 2018. The new facility provides a comprehensive service to the fast-growing local community and complements the Wakatipu's other library services. The location at Remarkables Park is in a great location close to ongoing retail, commercial and residential developments. Its proximity to Wakatipu High School and Southern Institute of Technology's Queenstown campus helps to create a learning hub in the area.

The Library has already delivered school holiday reading challenges, weekly story time and craft for pre-schools. It also hosts Thursday night Te Reo Maori sessions.

The Frankton Library will continue to provide access to an extensive range of media and literature, as well as deliver community programmes. The current leased location will remain the home of the Frankton Library for the next few years until the Library Strategy is developed and a longer-term option is found.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Percentage of capital works completed annually, including renewals, against the annual budget adopted by the Council for community facilities

Year	Result	Target	Commentary
2018-19	132%	>80%	The result is high due to the $1.4m deposit paid for the 516 Ladies Mile Development land acquisition agreed by Council during 2018-19.

KPI: Percentage of residents who have attended or performed in arts and cultural events or groups in the district

Year	Result	Target	Commentary
2018-19	66%	>70%	66% of residents have attended or performed in arts and cultural events or groups in the district in 2018-19, as measured by the Quality of Life Survey in September 2018. This is a new measure and did not quite achieve the target set to be above 70%. Council is committed to supporting the arts and cultural community and this continues to be a focus area.

KPI: Percentage of residents and ratepayers who rate their quality of life as average or better, based on a series of quality of life indicators.

Year	Result	Target	Commentary
2018-19	96%	>70%	Overall, 96% of residents rated their quality of life as average or better. The breakdown of this result includes those that rated their quality of life as average (17%), good (50%), and extremely good (29%). Only 4% of respondents rated their quality of life as poor or extremely poor.

KPI: Active sport and recreation participants per capita (based on usual resident population).

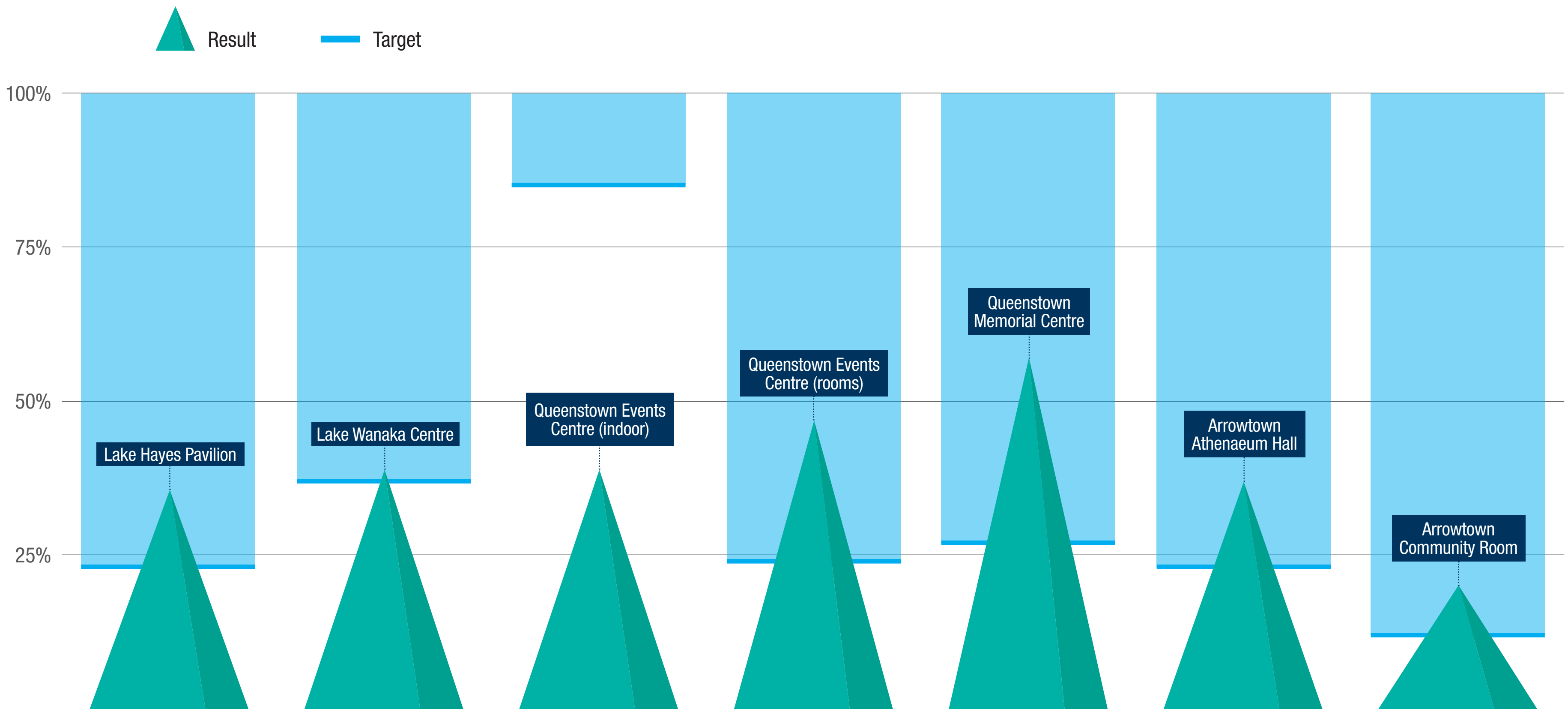
Year	Result	Target	Commentary
2018-19	34,464	>30,637	There have been 34,464 active sport and recreation participations per 1000 resident's year to date. This achieved the target set for the 2018/19 year. This is a positive result and represents an overall 14% increase on the annual figure.

KPI: Percentage of Request for Service resolved within specified timeframe for parks, reserves, trails, gardens and playgrounds.

Year	Result	Target	Commentary
2018-19	69.2%	>70%	69.2% of Parks RFS were resolved on time in 2018-19. In total, there were 2,103 RFS received, of which 610 were not resolved on time. This was just below the target set. Contributing factors include the new Verge policy generating a high number of requests and overall a higher number of maintenance requests were received due to wetter and warmer months resulting in high grass and noxious weed growth. Internal requests also increased and these types of requests normally require a lot more background research before they can be resolved. The team is committed to achieving the KPI target and this remains a focus area.

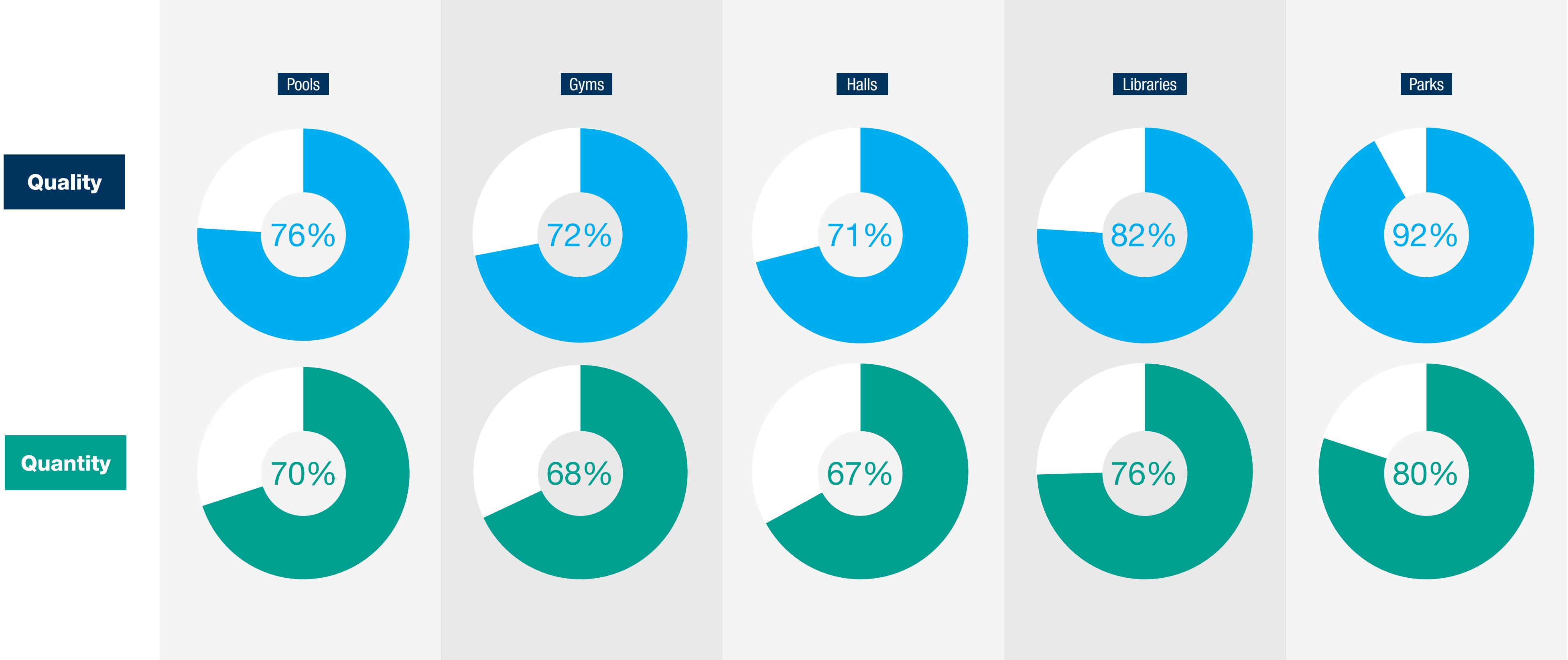
KPI: Percentage hours of community use for our venues and facilities

Year	Facility	Result	Target	Commentary
2018-19	Lake Hayes Pavilion	35.2%	>23%	On the whole, community use of the venues and facilities is well supported and all except one facility achieved the annual target. The Queenstown Events Centre (indoor) did not meet the occupancy rate due to limited usage prior to 3.30pm daily during the week. Trend analysis for the year shows the peak months are during the colder months, and occupancy decreases over the summer months when sport codes use the outside fields. Arrowtown Athenaeum Hall undertook renovations in January and February which closed the facility, however occupancy remained above target consistently throughout the year. The new Arrowtown Community Room is a well utilised community facility for Arrowtown, and bookings remained consistent in the 2018-19 year.
	Lake Wanaka Centre	39.2%	>37%	
	Queenstown Events Centre (indoor)	39.3%	>85%	
	Queenstown Events Centre (rooms)	47.1%	>24%	
	Queenstown Memorial Centre	57.3%	>27%	
	Arrowtown Athenaeum Hall	37.7%	>23%	
	Arrowtown Community Room	20.3%	>12%	



KPI: Percentage of ratepayers who are satisfied with Community Services; pools, gyms, community halls, libraries and parks.

Year	Community Service	Result		Target	Commentary
2018-19	Pools	Quality	76%	New measure	This is a new measure, with results taken from the September 2018 Quality of Life Survey. These results will form the baseline for comparison in the upcoming year. Results show that the community are most content with our Parks, with 80% satisfied with the quantity of parks and 92% satisfied with the quality of our parks. This is an excellent result for the Parks team who are committed to ensuring parks are maintained to a high level and, where possible, increasing the numbers of parks throughout the district. Satisfaction with halls scored the lowest, with 67% satisfied with the quantity and 71% satisfied with the quality of halls. A key piece of work in this space is the permanent replacement of the Luggate Memorial Hall, which includes designing it to a Passive House standard. A particular area of focus will be how this new facility can help meet community space needs not only for Luggate but for the wider Upper Clutha community as well.
		Quantity	70%		
	Gyms	Quality	72%		
		Quantity	68%		
	Halls	Quality	71%		
		Quantity	67%		
	Libraries	Quality	82%		
		Quantity	76%		
	Parks	Quality	92%		
		Quantity	80%		



KPI: Average daily users of trails

Year	Result	Target	Commentary
2018-19	1811	>1800	There were issues with the Frankton track counter in March and April resulting in usage counts not being reported on. As this is the district's most utilised track and these are high usage months, it has negatively affected the daily average result for the 2018-19 year. However, overall analysis shows the 2018-19 year experienced similar seasonal trends to 2017-18 and, generally, track usage has increased monthly across the board. Data is not currently available for Wanaka tracks but will be in the upcoming year.
2017-18	1862		
2016-17	1803		

KPI: Number of community association scheduled meetings attended by staff and / or elected members.

Year	Result	Target	Commentary
2018-19	48%	>80%	Collating the information for this measure has been a challenge, however significant improvements have been noted in June due to a change in approach. This should result in ongoing improvements moving forward.

KPI: Percentage of total community grants to operating cost, excluding salaries and wages.

Year	Result	Target	Commentary
2018-19	0.77%	<1.65% baseline. Target is to maintain/ improve	The amount of grants paid was in line with the approved budget for the year.

KPI: Percentage of residents and ratepayers who are satisfied with the support the Council provides for the community.

Year	Result	Target	Commentary
2018-19	34%	>80%	In the Quality of Life Survey, 34% of residents agreed with the statement that Council provides enough support for community groups. This did not achieve the target set to be above 80%. Further focus is needed to improve this result and achieve the 80% target.

Enduring landscapes

Toitū te whenua

WANAKA
| Updated stormwater model for Lake Wanaka and Clutha Catchments
| Wanaka Town Centre Masterplan and Integrated Transport Programme Business Case completed

HAWEA
| Design work underway with connecting Hawea to Project Pure

LUGGATE
| The Luggate to Project Pure wastewater pump station and pipeline constructed and commissioned

WAKATIPU
| Stage 1 of the upgrades of the Arrowtown water source completed
| Frankton Flats ring main project has been constructed and commissioned
| Shotover Disposal Field commissioned
| Hawthorne Drive wastewater rising main constructed

KINGSTON
| Development of new Kingston stormwater model to support HIF capital works

Environmental management

Quality built environments that meet local needs and respect the local character

World class landscapes are protected

About environmental management

WHAT WE DELIVER

QLDC delivers initiatives across a broad range of functions and activities that interface with our environment. Every division works to ensure the preservation of our environment and to minimise the impact we have on it. A key initiative underway is the development of a Climate Change Action Plan, which will help define the way we approach both adaptation and mitigation measures.

District Plan

The District Plan explains how QLDC will manage the environment, in accordance with the requirements of the Resource Management Act (1991). 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.

A review of the District Plan is being completed in stages by the Policy Planning team. This will restructure the District Plan into a document that is more concise, streamlined and easy to interpret. It will also deliver a policy and rule framework that is more direct and less ambiguous, providing for greater direction and certainty.

Resources 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.

QLDC plays an important role as one of the guardians of our unique environment, working in partnership with Ngai Tahu, Otago Regional Council, the Department of Conservation and a number of valued interest groups. Part of this includes contracting services that relate to the swift management of pollution discharges to land and water.

Wastewater Overflows Consent

QLDC submitted a resource consent application to the Otago Regional Council in April 2019 to authorise wastewater network overflows that occasionally occur from council owned and operated wastewater networks. QLDC is required to authorise these occasional overflows under the Resource Management Act (RMA).

The wastewater network is essential in protecting our community from unnecessary exposure to wastewater but occasionally overflows occur due to blockages and breaks. These overflows are predominantly caused by items incorrectly being put into the system, or from root intrusion from trees growing near pipes. Our application focuses on how the effects from an overflow are managed through our response to cleaning them up, educating our community, and through improvements to our network over the coming years. The 2018-28 Ten Year Plan includes a number of improvements to the wastewater network to reduce the likelihood of overflows occurring, with these improvements to cater for future growth and further protect key recreational areas from contamination.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

- There have been three additional SHAs approved, resulting in a 10 - 12.5% land contribution to the Queenstown Lakes Community Housing Trust (QLCHT).
- Council-owned land in Jopp Street, Arrowtown was also recently approved by Council to go to QLCHT, subject to Ministerial approval to change its designation.
- With the district plan review, there are currently 101 appeals and 1065 appeal points scheduled for mediation and hearings for decisions on the 32 chapters and zones that make up Stage 1 of the proposed plan provisions. Mediations on urban growth, noise, natural hazards, town centres and, residential height, informal and commercial airports, temporary activities, heritage, significant natural areas, designations and an initial tranche of re-zoning appeals were completed between January – September 2019.
- Stage two currently has 84 appeals and 930 appeal points (matters) received against Council's decisions. A single appeal can seek to change more than one item within the district plan and each change that requires a separate decision from the Court is its own appeal point.
- Stage three policy analysis, engagement, plan development and workshops have been completed and the provisions are due to be notified for submissions from September – November 2019.
- Hearings have been completed on the main strategic chapters of the proposed plan and the proposed plan now covers around 99.8% of the district.

Case study – Tourism infrastructure fund

A review of the existing network of toilet facilities conducted in early 2018 recommended eight new or replacement toilet blocks. With significant funding of $2.39 million from Central Government's Tourism Infrastructure Fund (TIF), 78% of the programme's cost was covered. A range of locations have/will benefit from public toilet facilities including Glenorchy Foreshore Reserve, Kingston Reserve, Luggate Red Bridge Rest Stop, Lake Hayes Foreshore Reserve, Albert Town Outlet, SH6 The Neck to Isthmus Peak Car Park, SH6 between Kingston and Frankton, Bennetts Bluff, Glenorchy to Queenstown Road

The funding will help support the increased demand toilet facilities are experiencing in the district due to visitor growth. Meeting the needs of these visitors will culminate in improved cleanliness with demand spread across a greater number of cubicles. It will also encourage a reduction in the current environmental and public health issue of visitors toileting in significant and sensitive landscape environments across the district.

HOW MUCH IT COST

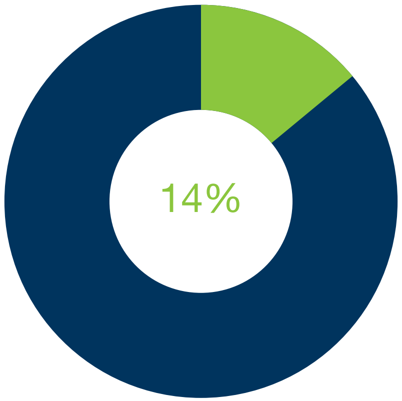
Breakdown of service cost

Environmental Management	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	3,578	4,653	3,406
Subsidies & grants for operating expenditure	-	100	735
Fees & charges	3,272	8,679	7,917
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	109	100	53
Total sources of operating funding	**6,959**	**13,532**	**12,111**
Applications of operating funding			
Payments to staff and suppliers	5,261	13,882	14,044
Finance costs	117	288	149
Internal charges applied	1,581	2,361	2,640
Other operating funding applications	-	-	-
Total applications of operating funding	**6,959**	**16,531**	**16,833**
Surplus/(deficit) of operating funding	**-**	**(2,999)**	**(4,722)**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(1,551)	1,449	713
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**(1,551)**	**1,449**	**713**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to replace existing assets	-	-	-
- to improve the level of service	-	-	-
Increase/(decrease) in reserves	(1,551)	(1,550)	(4,009)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**(1,551)**	**(1,550)**	**(4,009)**
Surplus/(deficit) of capital funding	**-**	**2,999**	**4,722**
Funding balance	**-**	**-**	**-**

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Environment expenditure of $16,833,000



Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Reduced consenting income including within engineering as time spent assessing DCN's no longer charged to applicants.	Not applicable	Not applicable

Summary of internal borrowings				
Activity	**30 June 2019 Internal loan balance $000**	**Total funds repaid in the year $000**	**Total funds borrowed during the year $000**	**Interest paid in the year $000**
Environmental Management	1,891	503	735	76

How we performed

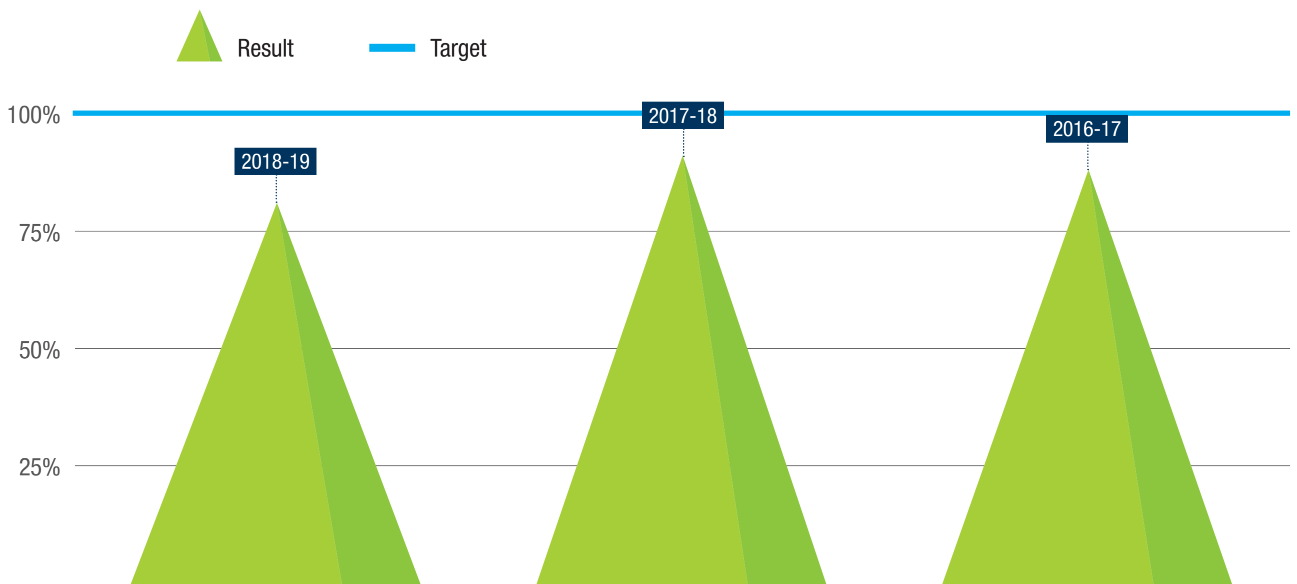
HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

Year	Result	Target	Commentary
2018-19	30%	>45%	30% of resident and ratepayers are satisfied with the steps Council is taking to protect the environment as measured by the Quality of Life Survey. This did not achieve the target set. QLDC is committed to protecting the environment and this remains a focus area. Key pieces of work in this space include the Waste Minimisation Strategy, Trade Waste Survey and Climate Change Action Plan.

KPI: Percentage of resource consents processed within statutory timeframes

Year	Result	Target	Commentary
2018-19	81%	100%	81% of resource consents were processed within the 20 day statutory timeframe, with several factors leading to the KPI target not being achieved. The start of the 2018-19 year saw a large volume of applications received, resulting in a backlog of consents as processing capacity was reached. Continued high consent numbers and complex applications, combined with a higher than usual number of vacancies further stretched resources and increased workloads. On-boarding and the training of new recruits saw a further decrease in productivity towards the year end. This is expected to improve as they gain more experience.
2017-18	91%		
2016-17	88%		



Infrastructure

Efficient and effective infrastructure

Environmental sustainability and low impact living is highly valued

What we deliver

We will deliver this outcome through the following activities:

1. Water Supply
2. Stormwater
3. Wastewater

Collectively known as 3 Waters

4. Waste Management
5. Transport, including roading, parking and footpaths

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Percentage of capital works completed annually, including renewals, against the annual budget adopted by the Council for three waters and roading.

Year	Result	Target	Commentary
2018-19	52%	>80%	The 2018-19 result is based on the original budget stated in the 2018-28 Ten Year Plan Three Waters and Transport. This did not meet the target set to be above 80%. The Ten Year Plan budget excludes budgets carried forward from the prior year and adjustments made throughout the year. A significant amount of budgets were deferred to later years, predominantly due to the early stages of project lifecycle, an improved bundled approach to delivery and the dependence on external parties. This includes developer agreements, joint venture arrangements and NZTA funding approvals.

KPI: Percentage of external contractor and internal Request for Service resolved within specified timeframe (three waters, solid waste, roading and footpaths).

Year	Result		Target	Commentary
2018-19	3 Waters	90%	>95%	90% of RFS were resolved on time in 2018-19. There were 3,887 RFS received in total for 3 Waters, of which 377 went overdue. This was primarily due to an increase in the amount of RFS received, with high internal workload commitments creating conflicting demands on staff time. This is however an improvement on the 2017-18 result, and the emphasis on meeting the target continues to be a focus area. 83% of RFS were resolved on time in 2018-19. The team continues to be challenged due to the transition to the new contractor and poor performance by the outgoing contractor. In total, 2,701 solid waste RFS were received, of which 470 went overdue. 78% of RFS were resolved on time in 2018-19. In total, 3,520 Roading RFS were received, of which 767 were not resolved on time. The internal team received 62% of these RFS and response times were impacted due to the team's limited capacity.
	Solid Waste	83%		
	Roading	78%		
2017-18	3 Waters	86%		
	Solid Waste	82%		
	Roading	82%		
2016-17	3 Waters	98%		
	Solid Waste	85%		
	Roading	77%		

Water supply

About water supply

WHAT WE DELIVER

QLDC is responsible for approximately 552km of water mains and 12 treatment plants serving approximately 25,516 demand units that between them use a total of approximately 32,306 cubic metres of water per day.

The 3 Waters Strategy was adopted by the Council in June 2018. 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 recently adopted 2018-48 Infrastructure Strategy.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

QLDC's long-term water master plans are in a continuous review cycle. Projects identified in these master plans then proceed through the business case framework. These business cases provide the basis for the water supply programme approved in the 2018-2028 Ten Year Plan.

QLDC has made a commitment to meet drinking water standards, on all Council water supplies, by 2028. As an interim measure to protect drinking water quality (and picking up one of the key recommendations of the Havelock Inquiry) QLDC has implemented temporary disinfection of its water networks. In addition, following advice from the Department of Internal Affairs, QLDC is looking at alternative delivery models by where it could meet drinking water standards within the next five years, or sooner.

Work is progressing in relation to the management of algae. We are part of a working group made up from the National Institute of Water and Atmospheric Research (NIWA), University of Otago, Otago Regional Council, Central Otago District Council, Landcare Research and various other stakeholders, that has been tasked to discuss aspects associated with the lake snow phenomena developing in some of Otago's largest alpine lakes. A research programme has been identified to address questions around lake snow and its mitigation.

Stage 1 of the upgrades of the Arrowtown water source supply to ensure summer water demands are met were completed in December 2018. Further upgrades to the water supply network are expected to be completed in 2021.

The Frankton Flats ring main project has been constructed and commissioned in 2019 upsizing the link between Tex Smith Place and Lower Robertson Street.

QLDC contributed financially to the Tucker Beach Intersection project to construct water supply and waste water pipelines from the Shotover Bridge to Hardware Lane to enable further projects without further significant disruption to traffic flows on SH6.

HOW MUCH IT COST

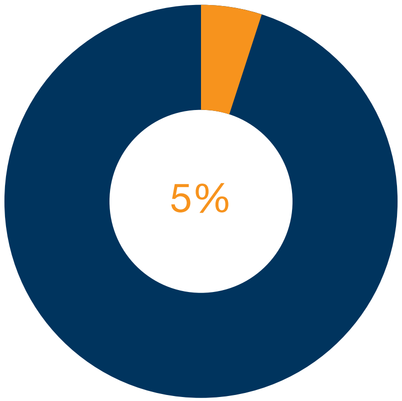
Breakdown of service cost

Water Supply	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	11	8	5
Targeted rates	7,622	8,694	8,745
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	65	45	62
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	-	-	-
Total sources of operating funding	**7,698**	**8,747**	**8,812**
Applications of operating funding			
Payments to staff and suppliers	4,601	4,413	4,741
Finance costs	1,190	1,619	650
Internal charges applied	748	737	753
Other operating funding applications	-	-	
Total applications of operating funding	**6,539**	**6,769**	**6,144**
Surplus/(deficit) of operating funding	**1,159**	**1,978**	**2,668**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	907	3,141	2,477
Increase/(decrease) in debt	-185	15,656	4,970
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**722**	**18,797**	**7,447**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	164	10,249	3,391
- to replace existing assets	1,439	3,462	2,886
- to improve the level of service	229	8,478	3,826
Increase/(decrease) in reserves	49	(1,414)	12
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**1,881**	**20,775**	**10,115**
Surplus/(deficit) of capital funding	**(1,159)**	**(1,978)**	**(2,668)**
Funding balance	**-**	**-**	**-**

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Water Supply expenditure of $6,144,000



Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
No major variances.	$1.5m for Frankton WS Ring Main (Robertson St), $1m for Luggate New WTP,PS & pipeline to airport.	Timing of the HIF Ladies Mile & Kingston Water Supply New Schemes $2.7m, Beacon Pt Reservoir $3.1m and Shotover Country treatment and Rising Main $3.6m.

Summary of internal borrowings

Activity	30 June 2019 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	9,126	282	1,895	330

Case study – 3 Waters procurement strategy

Faced with an infrastructure programme and investment almost three times larger than the council has delivered before, officers needed to understand the overall 'readiness' of the Council team. Multinational professional services firm, Ernst & Young, were commissioned to conduct a review of the council's ability to deliver the programme, assessing whether the right frameworks and governance were in place.

In the three waters area multiple market briefings provided suppliers with visibility of our planned procurement approach. The outcome being that we now have new supplier panels in place to design and construct our projects. The panels will also provide work for local companies and new entrants alike.

In 2018, the Property and Infrastructure Department developed its strategic procurement plan for the delivery of its 3 waters programme, which is three times larger than any programme QLDC has previously delivered. Projects have been 'bundled' during the delivery in order to maximise procurement outcomes and deliver efficiencies. This programme approach has led to the creation of two panels; a 3 Waters Design and a 3 Waters Contract Works panel. Six organisations have been appointed to the Design Panel and four organisations have been appointed to the Contracts Work Panel. In 2018-19, three design bundles were awarded to the design panel for the design of treated water reservoirs, Wanaka water supply trunk main and a number or wastewater upgrades.

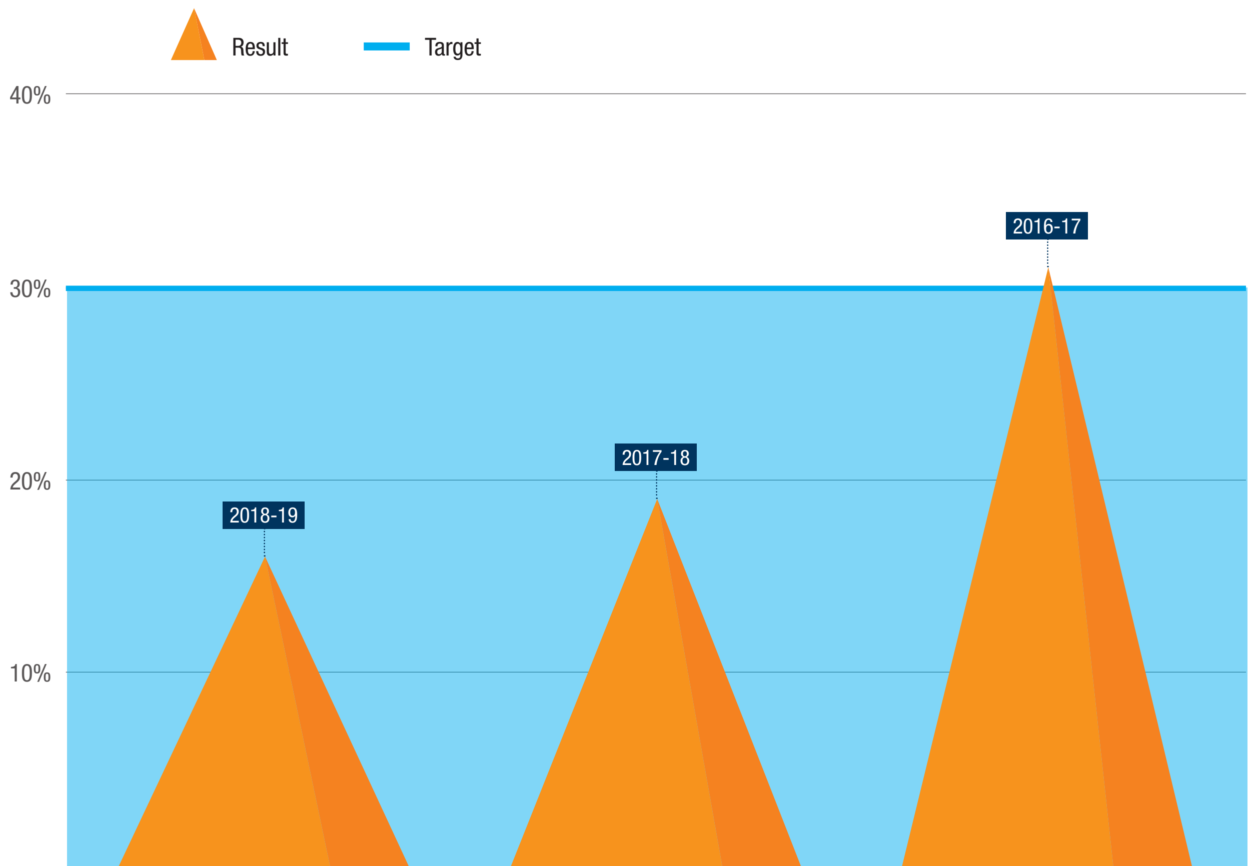
How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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:

KPI: Percentage of water lost from each municipal water reticulation network

Year	Result	Target	Commentary
2018-19	15%	<30%	The district is significantly below the benchmark set, demonstrating the requirement for an ongoing commitment to water reticulation network management efficiency.
2017-18	19%		
2016-17	31%		



KPI: Compliance of each municipal water supply with the NZ Drinking Water Standards for protecting public health, specifically: a) bacteriological compliance (Part 4 of Drinking Water Standards); and b) protozoal compliance (Part 5 of Drinking Water Standards).

Year		Result	Target	Commentary
2018-19	a) bacteriological compliance	Result for 2018-19 not yet available. 2017-18 result 96% 2016-17 result 93%	>75%	QLDC monitors for compliance within our treatment plants and distribution systems. Treatment plants include the water sources (lakes, aquifers) and the treatment plants to remove any pathogens from these sources. Distribution systems include the reservoirs and pipes that store and move the water around the network once treated. Due to the timing of the compliance reports which are undertaken in October each year, results are reported one year behind. Of the 28 treatment plants and distribution systems, 27 were compliant with the bacterial requirements of the Drinking Water Standards New Zealand (DWSNZ). All treatment plants were compliant, however the Lake Hayes distribution system was non-compliant due to a single E.coli transgression. This is an improvement on the previous years results.
	b) protozoal compliance	Result for 2018-19 not yet available. 2017-18 result 14% 2016-17 result 14%	>14%	Of the 14 treatment plants, two were compliant with the protozoal requirements of the Drinking Water Standards New Zealand (DWSNZ). The results remain the same as the previous year. 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 > Arrowtown – transmissivity was not measured at the required frequency > Arthurs Point- high turbidity events lead to periods of non-compliance > Corbridge Downs - capital investment is required to comply > Glenorchy - capital investment is required for additional treatment barriers > Glendhu – high turbidity events lead to periods of non-compliance > Hawea– high turbidity events lead to periods of non-compliance > 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. Transmittance refers to the amount of UV light passing through the water at the water treatment plant. Turbidity is the measure of the suspended particles in a sample that cause loss of clarity by scattering light. If the water is more turbid, the UV transmittance would be less because the suspended particles would stop some of the UV light getting through the water and this affects the treatment effectiveness. This is the same level of compliance as previous years. Capital investment in treatment upgrades or turbidity control is required at most sites to meet the protozoal requirements of the DWSNZ. These upgrades are budgeted across the timeframe of the QLDC Ten Year Plan, 2018-28.

KPI: 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.

b) between the time of notification and resolution of the blockage or other fault.

Year			Result	Target	Commentary
2018-19	a) between the time of notification and the time when service personnel reach the site	Urgent	22 mins	<60 mins	The median response time to attend to site for urgent issues was 22 minutes for 2018-19. There were 145 urgent issues lodged for 2018-19. The median response time to attend to site for non- urgent issues was 963.5 minutes for 2018- 19. There were 1070 non-urgent issues lodged for 2018-19. The median response time for resolution for urgent issues was 355 minutes for 2018-19. The median response time for resolution for non-urgent issues was 2,882 minutes for 2018-19.
		Non-urgent	963.5 mins	<1440 mins	
	b) between the time of notification and resolution of the blockage or other fault	Urgent	355 mins	<1440 mins	
		Non-urgent	2882 mins	<10080 mins	

KPI: Number of complaints per 1,000 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.

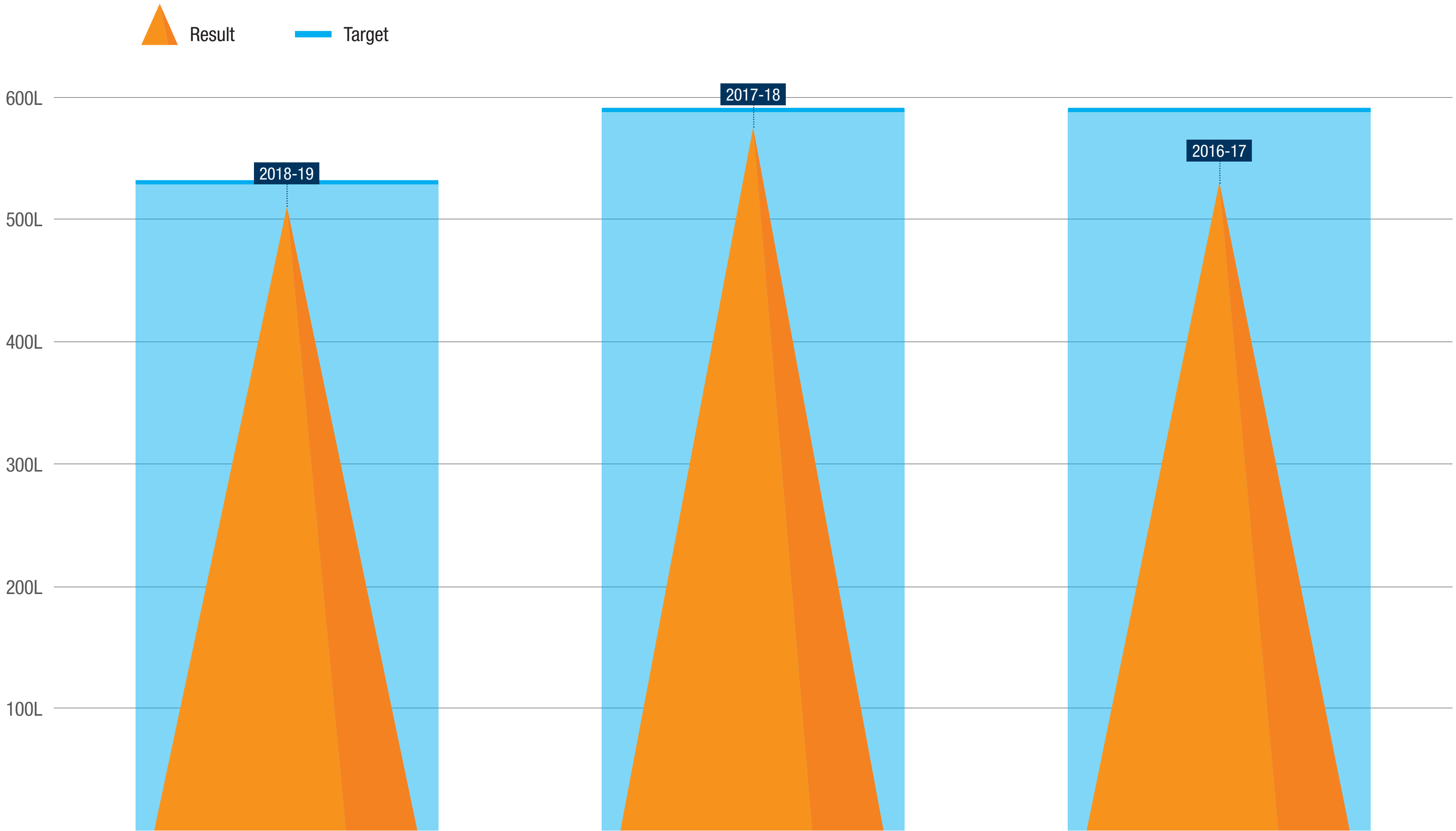
e) the continuity of supply of drinking water.

f) the way in which a local government organisation responds to issues with a water supply.

Year		Result	Target	Commentary
2018-19	a) clarity	0.04	<4	All categories met the annual target, except for pressure/flow which was 1.6 above the annual cumulative target. This can be attributed to lake algae causing blockages within properties, and customers not having paid attention to the communications about planned shutdowns.
	b) taste	0.04		
	c) odour	0.04		
	d) pressure/flow	5.6		
	e) continuity of supply	3.7		
	f) response to issues	0.04	<2	

KPI: Average consumption of water per day per resident.

Year	Result	Target	Commentary
2018-19	510L	<530 litres per person per day	510 litres of water was consumed on average per day for the 2018-19 year. This achieved the annual target to be below 530 litres. Trend analysis shows clear seasonal patterns which are consistent with the previous year, however overall less water consumption was recorded for 2018-19 demonstrating a commitment to water supply efficiency.
2017-18	577L	<590L/person/day	
2016-17	529L	<590L/person/day	



Wastewater

About wastewater

WHAT WE DELIVER

QLDC is responsible for approximately 424km of wastewater mains, 65 pump stations and four treatment plants serving approximately 24,743 demand units that between them discharge a total of approximately 14,000 cubic metres of wastewater per day. This includes the larger plants, namely Project Pure (wastewater treatment plant and disposal to land at Wanaka) and Project Shotover (wastewater treatment and disposal to land).

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

Our long term water master plans are in a continuous review cycle, with projects identified in these master plans proceeding through the business case framework. These business cases provided the basis for the water supply programme approved in the 2018-2028 Ten Year Plan. Design work is ongoing in regards to connecting Luggate and Hawea to Project Pure.

The application for the Wastewater Network Discharge Consent was lodged in April 2019 followed by a Section 92 (request for additional information), being provided to Otago Regional Council on the 5 June 2019. QLDC requested public notification and submissions be open until 12 July 2019.

The Shotover Disposal Field was commissioned in July 2018 at a cost of $5.3 million, giving an overall saving of $21 million on original estimates for a Low Pressure Disposal Field which was first anticipated in 2015. The purpose of the Field is to dispose treated effluent into the underlying gravels of the Shotover flood plain as opposed to the direct flow into the Shotover River which has been the case over the past years. This type of disposal was accepted by the local iwi and the Otago Regional Council as a significant improvement in the discharge of treated sewage from the plant. Work has now commenced on Stage 3 – further upgrade of Project Shotover to cater for future growth.

The Hawthorne Drive wastewater rising main was constructed in 2019 connecting Hanley Downs to the Frankton wastewater network through to the Shotover Treatment Plant.

The Luggate to Project Pure wastewater pump station and pipeline was constructed and commissioned in 2019. The purpose of this project was to pipe wastewater from Luggate to the wastewater treatment plant.

Case study – Trade waste survey

In August, the council surveyed local businesses to better understand how trade waste is being managed. Trade waste is wastewater generated by commercial operators that discharge waste into council's networks.

Information was gathered from local bars, restaurants, hairdressers, automotive operators and other commercial operators that discharge into the wastewater networks.

The information received has helped the council to develop an understanding of how businesses discharge into the network, and review the bylaw.

The next step is to implement the trade waste registration scheme as part of the bylaw. Registration will help council work with businesses to best implement sustainable, environmentally-conscious, practices.

HOW MUCH IT COST

Breakdown of service cost

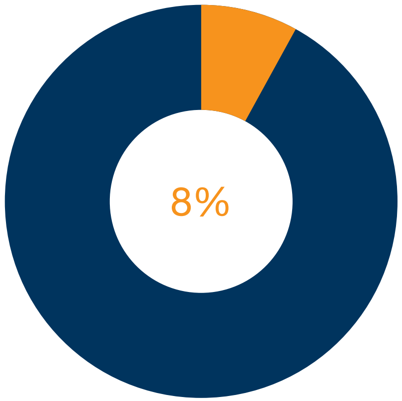
Wastewater	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	273	247	265
Targeted rates	10,872	12,056	11,991
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	70	249	225
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	-	-	86
Total sources of operating funding	**11,215**	**12,552**	**12,567**
Applications of operating funding			
Payments to staff and suppliers	6,060	6,530	6,513
Finance costs	3,065	2,794	1,370
Internal charges applied	831	1,260	1,287
Other operating funding applications	-	-	-
Total applications of operating funding	**9,956**	**10,584**	**9,170**
Surplus/(deficit) of operating funding	**1,259**	**1,968**	**3,397**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	1,864	3,961	4,259
Increase/(decrease) in debt	7,176	10,199	6,456
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**9,040**	**14,160**	**10,715**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	4,926	7,100	4,757
- to replace existing assets	1,036	1,470	1,459
- to improve the level of service	5,782	8,115	5,249
Increase/(decrease) in reserves	(1,445)	(557)	2,647
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**10,299**	**16,128**	**14,112**
Surplus/(deficit) of capital funding	**(1,259)**	**(1,968)**	**(3,397)**
Funding balance	**-**	**-**	**-**

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Lower finance costs due to timing of capital spend.	$2.2m Luggate new WWPS & Cxn to Project Pure. $1.8m Kawarau Bridge Remarks Pk WW Rising Main.	Project Shotover Disposal Field delivered under budget by $1.1m. Kingston HIF Wastewater New Scheme $1.3m deferred to 2019/20.

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Wastewater expenditure of $9,170,000



Summary of internal borrowings

Activity	30 June 2019 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	17,327	545	2,639	698

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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:

KPI: Median response time to attend to sewerage 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.

Year	Result	Target	Commentary
2018-19	17 mins	<60 mins	The median response time to attend site for wastewater overflows was 17 minutes for 2018-19 and achieved the target set.

b) between the time of notification and resolution of the blockage or other fault.

Year	Result	Target	Commentary
2018-19	151.5 mins	<240 mins	The median response time to resolve the wastewater overflows was 151.5 minutes for 2018-19 and achieved the target set. There were 74 wastewater overflows recorded.

KPI: Annual number of dry weather overflows from a municipal sewerage system per 1,000 sewerage connections.

Year	Result	Target	Commentary
2018-19	3.2	<3	There were 3.2 dry weather overflows per 1,000 sewerage connections for the 2018-19 period, this exceeds the target of <3 overflow events per 1,000 connections. A key contributor to exceeding this target is the number of overflows attributed to damage caused through the roll out of fibre internet to the Wanaka area (directional drill strikes of sewer laterals).

KPI: Compliance with resource consents for discharge to air, land, or water from a municipal sewerage system, measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) successful prosecutions.

Year	Result	Target	Commentary
2018-19	94%	100%	QLDC was prosecuted for an unauthorised discharge (ie. no consent) of wastewater into Lake Wakatipu at Loop Road, Kelvin Heights, as a result of a wastewater network overflow that occurred in 2017. Consent has now been applied for which should be finalised in the next 6-12 months.

KPI: Number of complaints per 1,000 properties connected to a municipal sewerage system about:

a) odour.

b) faults.

c) blockages.

d) the territorial authority's response to issues with its sewerage system.

Year	Result		Target	Commentary
2018-19	a) odour	0.04	<5	All categories are within the target set, except for faults which has exceeded the annual target set by 0.54. This can be attributed to the Operations and Maintenance contractor proactively utilising the RFS system to call in faults identified during their inspections of the network. Changes are being made in the 2019-20 period to enable these RFS to be recorded more accurately to prevent inclusion in this dataset.
	b) faults	5.54		
	c) blockages	2.55		
	d) response to issues	0		

Stormwater

About stormwater

WHAT WE DELIVER

QLDC is responsible for approximately 236km of stormwater mains, all with an average age of 22 years, and a number of interceptors (basic stormwater separators) serving around 25,628 demand units. The system caters for an average ten year flood event.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

Updated Stormwater models for Queenstown Central (One Mile to Marina Drive) and Wanaka (Lake Wanaka and Clutha Catchments) were developed during 2018/19 as well as the development of a new Kingston model to support the HIF capital works. Consultants have been appointed to update/develop catchment management plans for each of those areas with work underway. An updated model for Frankton has also been started. The catchment management plans will identify issues in terms of water quantity and water quality and prioritise those from a risk perspective. From this and subsequent business cases mitigation projects can be included in the 2021-31 Ten Year Plan.

Alongside the Otago Regional Council we are part of the Urban Water Strategy 2017 working group, and with the Ministry for the Environment on the Urban Water Quality Good Management Practice working group. These working groups will provide guidance on stormwater treatment options.

We are also continuing to work on an organisation-wide response to stormwater challenges, particularly in the Wanaka catchment. To that extent we are partnering with Otago Regional Council and Department of Conservation to implement a range of solutions to protect the environment.

Construction of a deep stormwater main to convey existing and future stormwater loads from the Frankton Flats area of the Frankton foreshore commenced in 2018. The significant upgrade to the stormwater network will manage increased overland flow as a result of development in Frankton. Environmental improvements will be achieved through an improved treatment of stormwater through a discharge detention basin. Overland flow will no longer be discharged directly to Lake Wakatipu under normal operating conditions.

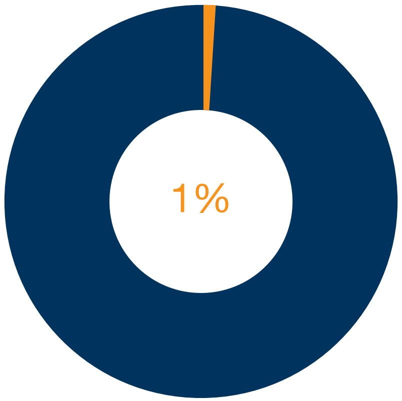
HOW MUCH IT COST

Breakdown of service cost

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Stormwater expenditure of $1,093,000



Stormwater	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	1,797	1,992	1,996
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	-	-	-
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	411	278	274
Total sources of operating funding	**2,208**	**2,270**	**2,270**
Applications of operating funding			
Payments to staff and suppliers	384	718	839
Finance costs	638	699	175
Internal charges applied	271	78	79
Other operating funding applications	-	-	-
Total applications of operating funding	**1,293**	**1,495**	**1,093**
Surplus/(deficit) of operating funding	**915**	**775**	**1,177**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	313	2,161	452
Increase/(decrease) in debt	-1,024	10,114	4,354
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**(711)**	**12,275**	**4,806**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	158	11,829	5,130
- to replace existing assets	500	539	348
- to improve the level of service	32	1,383	519
Increase/(decrease) in reserves	(486)	(701)	(14)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**204**	**13,050**	**5,983**
Surplus/(deficit) of capital funding	**(915)**	**(775)**	**(1,177)**
Funding balance	**-**	**-**	**-**

Significant cost of services variances	**Significant capital expenditure**	**Significant capital expenditure variances**
Lower finance costs due to timing of capital spend.	$4.9m for North East Frankton Stormwater conveyance.	The major variance relates to the timing of completion for the N East Frankton Stormwater conveyance project which will be completed during 2019/20.

Summary of internal borrowings

Activity	30 June 2019 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	3,935	339	1,752	116

Case study – Frankton stormwater upgrade

In January, stage one of a major upgrade of Frankton's stormwater system began to meet forecast demand. The project provides for current and future growth and is part of a long-term strategy for management of stormwater in the area.

Completion of the Eastern Access Road project addressed a significant portion of the land area to the north of Grant Road, with a main trunk stormwater system capturing and transporting stormwater to the Shotover River Delta. The North East Frankton line will manage the remaining stormwater in the Frankton Flats area, allowing for the future demands of the whole catchment area and rain events greater than one in every 20 years.

These works are significant with deep trenches dug along the pipeline route, including the need to push the pipeline under SH6 Kawarau road. The excess fill is being transported to the site above the primary school and turned into a sports field. As access to sports fields is another area under pressure this addition will be of significant benefit to the community.

Stage two of the upgrade will be programmed to meet future demand.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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:

KPI: a) Number of flooding events that occur in a territorial authority district b) For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the territorial authorities stormwater system)

Year	Result	Target	Commentary
2018-19	a) 0	<7	There were no flooding events this year and as such, no flooding events to habitable floors affected.
	b) 0	<2	

KPI: Compliance with resource consents for discharge from a municipal stormwater system, measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) successful prosecutions.

Year	Result	Target	Commentary
2018-19	100%	100%	The district meets the benchmark set, demonstrating good monitoring and enforcement practice.

KPI: 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 stormwater system.

Year	Result	Target	Commentary
2018-19	0 hours	<3 hours	There were no flooding events to habitable floors this year.

KPI: The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.

Year	Result	Target	Commentary
2018-19	10.65	<5 per 1,000 properties	The number of stormwater complaints per 1000 connections has exceeded the target for the year. The majority of the issues are related to blocked mud tanks, including issues with building debris blocking sumps.

Transport, roading, parking and footpaths

About transport, roading, parking and footpaths

WHAT WE DELIVER

QLDC is accountable for just over 871km of local roading and public carparks across the district. 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. QLDC's transport activities are funded from a combination of local and central government funding sources.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

Our district's population growth and national and international reputation as a visitor destination are putting pressure on our transport networks. Highways, local roads, commuter tracks 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. We are also acknowledging that as well as infrastructure changes – behavioural change is going to play a major role in the improvement of transport networks.

Over the past 12 months we have been involved in the following changes that will result in major improvements to traffic and congestion issues:

> Kawarau Falls Bridge – new crossing constructed (funded by NZTA). Seismic protection and provision of a two-way crossing have greatly improved traffic efficiency and resilience.

> In conjunction with our transport partners, the New Zealand Transport Agency and the Otago Regional Council, we have continued to improve the Public Transport service across the Wakatipu, achieving an uptake rate unprecedented in NZ.

> Implementation of two tranches of Public Transport facilities (new stops and shelters) and planning completed for a third.

> Construction of the Tucker Beach Road intersection with SH6. The resultant grade separated access has achieved significant efficiency and safety improvements. The opportunity to complete Council's 3W projects in the same physical and time space as this predominately NZTA project, allowed optimisation of public funding.

> Master Planning has been progressed significantly with Queenstown business cases now in the final stages of strategic planning.

> Wānaka now has a completed Town Centre Masterplan and Integrated Transport Programme Business Case.

> Wakatipu Active Travel Network Single Stage Business Case has been completed, identifying some $40 million dollars of investment over 5 years shared with NZTA. Total programme scope over a ten year period is identified as being in excess of $100 million dollars.

> Frankton Masterplan and Integrated Transport Programme Business Case is nearing completion.

> A significant safety project to seal and improve Ballantyne Road in Wanaka has been approved for funding support by NZTA following a difficult business case process.

> Progression towards a formal Alliance with NZTA and the Otago Regional Council has advanced. A Management group and Board have been established. The aim of the Alliance is to ensure integrated planning for the transport networks and optimisation of funding opportunities. This also includes the need to integrate transport planning with wider land use activities and planning.

> Internal cross-departmental work has included ongoing inputs into Spatial Plans, Code of Practice and Transport Chapter of the District Plan. Inputs into major developments, including Special Housing areas have been made, helping to co-ordinate future infrastructure planning.

> The new Traffic and Parking Bylaw has been introduced, which will greatly assist in the management of public roading space, including stronger approach to the significant issue of verge parking.

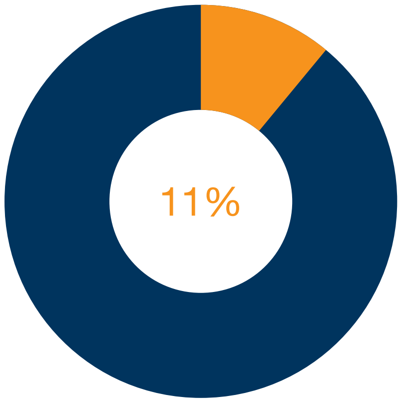
HOW MUCH IT COST

Breakdown of service cost

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Transport expenditure of $12,980,000



Transport, including roading, parking and footpaths	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	9,798	11,635	11,617
Subsidies & grants for operating expenditure	3,846	4,290	5,019
Fees & charges	693	3,297	3,236
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	910	129	300
Total sources of operating funding	**15,247**	**19,351**	**20,172**
Applications of operating funding			
Payments to staff and suppliers	7,109	9,380	11,103
Finance costs	533	1,309	272
Internal charges applied	613	1,571	1,605
Other operating funding applications	-	-	-
Total applications of operating funding	**8,255**	**12,260**	**12,980**
Surplus/(deficit) of operating funding	**6,992**	**7,091**	**7,192**
Sources of capital funding			
Subsidies & grants for capital expenditure	5,624	12,785	7,981
Development and financial contributions	1,619	5,270	3,787
Increase/(decrease) in debt	(3,646)	11,492	788
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**3,597**	**29,548**	**12,556**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	3,776	9,381	3,713
- to replace existing assets	3,368	12,999	7,708
- to improve the level of service	4,087	13,942	7,227
Increase/(decrease) in reserves	(642)	317	1,100
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**10,589**	**36,639**	**19,748**
Surplus/(deficit) of capital funding	**(6,992)**	**(7,091)**	**(7,192)**
Funding balance	**-**	**-**	**-**

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Roading emergency reinstatement net costs of $0.7m.	$1.2m was spent on Wanaka Minor Improvements; 1.1m was incurred for Queenstown Town Centre Pedestrianisation.	Queenstown Parking Improvements $9.3m; $2.4m pedestrianisation; $2m for Ballantyne Rd and $1.9m for Travel Management deferred.

Summary of internal borrowings

Activity	30 June 2019 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Transport, including roading, parking and footpaths	3,278	513	769	138

Case study – Alternative transport

In developing a vision for transport in the district, QLDC formed a partnership with the New Zealand Transport Agency and Otago Regional Council. The Wakatipu Way to Go Alliance recognises that all three agencies have an important role to play in driving change. The partnership also brings together a range of projects to ensure an integrated approach is achieved in project delivery across the district.

In April the partnership released, 'Smarter Journeys, together' a consultation document outlining five key projects including an active travel network and a ferry business case. Analysis of the feedback from the consultation will help to refine these projects before they move into the implementation stage.

In addition to these large projects, QLDC has implemented a number of initiatives to support the shift to alternative and active transport. This has included the provision of bus shelters, which include bike stands and ski racks. E-bikes were also introduced to the Parks & Reserves teams in both Wānaka and Queenstown as a means of getting to the various sites around the district.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

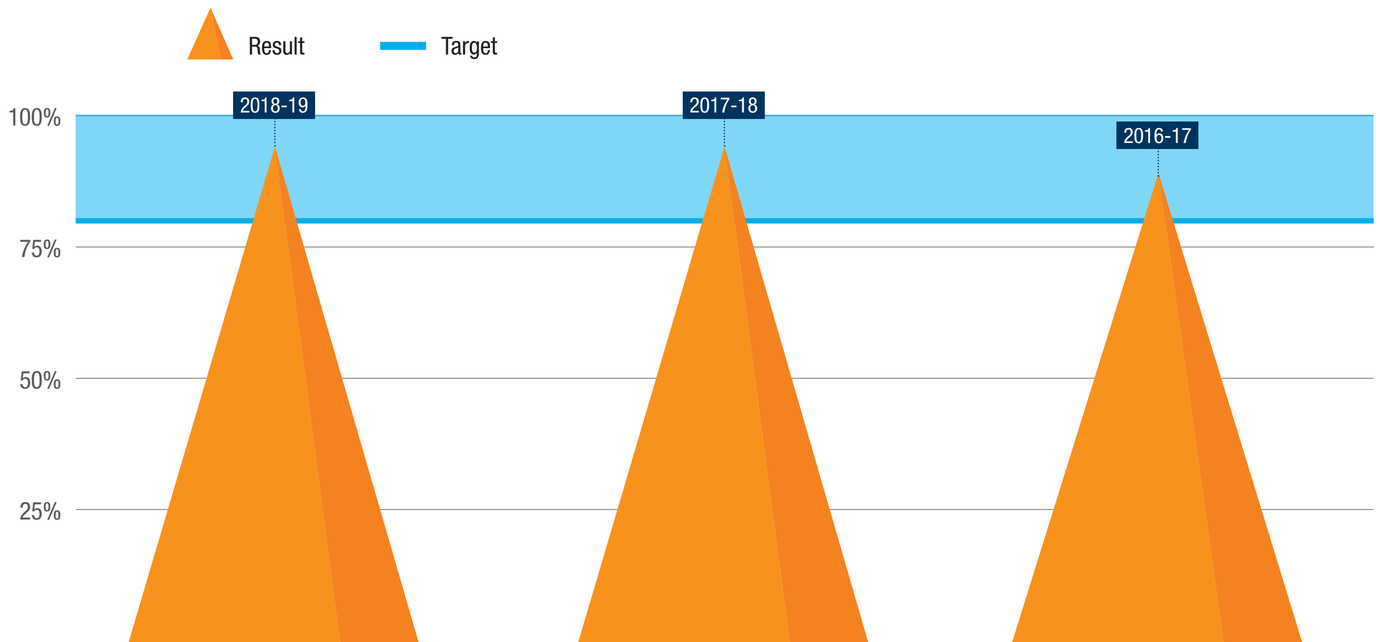
DIA MEASURES The Department of Internal Affairs (DIA) outlines a range of benchmarking measures for inclusion in the Annual Report. The following four measures relate to our performance for transport:

DIA KPI: The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network expressed as a number.

Year	Result	Target	Commentary
2018-19	20	<20 (the total number reported in 2017-18)	There was one fatality and 19 serious injury crashes on local roads in 2018-19. The number of fatalities and serious injuries remains the same as 2017-18.

DIA KPI: Average quality of ride on a sealed local road network, as measured by the Smooth Travel Exposure Index.

Year	Result	Target	Commentary
2018-19	94%	>80%	The district is significantly above the benchmark set by the DIA, demonstrating the high quality of the local road network.
2017-18	94%		
2016-17	89%		



DIA KPI: Percentage of sealed network that is resurfaced annually

Year	Result	Target	Commentary
2018-19	5.15%	<10%	The district is within the benchmark set by the DIA, demonstrating an effective, controlled and well-managed resurfacing programme.
2017-18	9.25%		
2016-17	6.66%		

DIA KPI: Percentage of local footpath network that is part of the local road network that falls within the Level of Service (LOS) or service standards for the condition of footpaths.

Year	Result	Target	Commentary
2018-19	96.4%	>95%	A baseline was defined at the end of the last reporting year as prior to this QLDC did not have a Level of Service defined for the condition of footpaths. The 2018-19 result remains consistent with a slight increase due to vested assets.

KPI: Increased use of alternative modes of transport.

Year	Result			Target	Commentary
2018-19	Bus	Daily	4%	Improve on the previous year (New measure)	This is the first year of reporting on this measure which was conducted via the Quality of Life survey in September 2018 and will form the baseline for next year's results. Survey results show that walking and biking are the community's most favoured alternative modes of transport, with 58% of respondents choosing to walk daily or weekly and 28% of respondents biking on a daily or weekly basis. The survey response also shows that current utilisation of the water taxi is low, however a detailed business case is currently being finalised to improve performance in this space. Socialising behavioural change is a prerequisite to mode shift to help facilitate a more efficient alternative transport network and this has been, and remains, a key focus area.
		Weekly	9%		
		Monthly	10%		
		Infrequently	29%		
		Never	48%		
	Walk	Daily	30%		
		Weekly	28%		
		Monthly	10%		
		Infrequently	19%		
		Never	13%		
	Bike	Daily	8%		
		Weekly	20%		
		Monthly	12%		
		Infrequently	24%		
		Never	36%		
	Water taxi	Daily	0%		
		Weekly	1%		
		Monthly	2%		
		Infrequently	15%		
		Never	82%		

KPI: Improved traffic flows on arterial routes.

Year	Result	Target	Commentary
2018-19	3.1	Maintain/improve (New measure)	The annual average travel time over all three chosen locations is 3.1. Three of our main arterial routes were monitored over a 24 hour period every quarter to record traffic flow times. Analysis of the years data highlights that there are no seasonal fluctuations in travel time. This is a baseline result for future monitoring purposes.

KPI: Percentage of residents and ratepayers who are satisfied with the bus service (cost, reliability accessibility).

Year	Result		Target	Commentary
2018-19	Cost	60%	>40%	Survey response analysis shows that 60% of respondents agree or strongly agree that the cost of the bus is affordable and 46% agree or strongly agree that public transport is accessible. These results are above the target set of 40%. More work is required in regards to reliability and ensuring that public transport is accessible for individual needs. Public transport numbers have increased significantly with 1,343,264 passenger trips in the 12 month period ending May 2019, which represents a 71% increase from the previous year. The Way To Go alliance between ORC, QLDC and NZTA have a number of business cases for joint investment in physical infrastructure in progress to improve results.
	Reliability	32%		
	Accessible	46%		
	Accessible for my needs	38%		

Waste management

About waste management

WHAT WE DELIVER

Waste is managed in three subactivities: Waste Reduction - reducing waste at source, Resource Recovery - diverting waste from landfill and Waste Disposal - collecting, transporting and disposing of waste.

Services include weekly kerbside refuse and recycling collection, public recycling drop off facilities and public place litter and recycling bins, a resource recovery park, green waste drop-off sites, greenwaste facilities and promotion of 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.

Work continues with implementation of the actions in the Waste Management and Minimisation Plan (WMMP) adopted with the Ten Year Plan in June 2018. The WMMP identifies our vision, goals, objectives, targets and methods for achieving effective and efficient waste management and minimisation.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

Our first key action under the Waste Management and Minimisation Plan (WMMP) has been completed - to remove glass from landfill and provide opportunities for whole of life recycling of glass – i.e. glass back into bottles. This has been achieved from 1 July 2019 with the roll out of the Council's new three bin system, which allows for separate collection of glass at the kerbside.

An organic waste mass balance model has been developed. The report and baseline model includes organic waste generation forecasts and projections of divertible materials. The model was developed to more accurately inform us during the next steps of developing a detailed strategy for biosolids and organic wastes.

An internal QLDC staff group has been formed to work across the organisation and learn, share and implement solutions to; minimise waste, increase environmental awareness, reduce carbon consumption and work collaboratively to effect change.

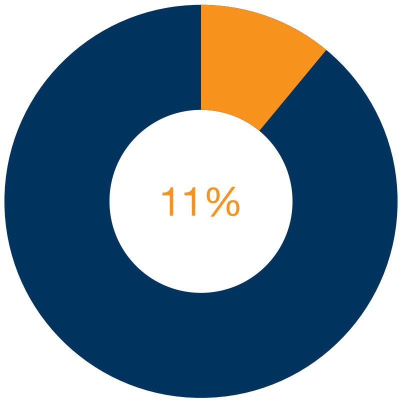
HOW MUCH IT COST

Breakdown of service cost

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Waste Management expenditure of $13,240,000



Waste Management	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	2,619	3,255	3,253
Subsidies & grants for operating expenditure	43	118	138
Fees & charges	4,524	7,797	8,144
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	-	195	254
Total sources of operating funding	**7,186**	**11,365**	**11,789**
Applications of operating funding			
Payments to staff and suppliers	6,303	9,459	11,521
Finance costs	146	123	63
Internal charges applied	615	1,621	1,656
Other operating funding applications	-	-	-
Total applications of operating funding	**7,064**	**11,203**	**13,240**
Surplus/(deficit) of operating funding	**122**	**162**	**(1,451)**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(389)	1,149	(469)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**(389)**	**1,149**	**(469)**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	620	142
- to replace existing assets	-	481	156
- to improve the level of service	-	1,270	189
Increase/(decrease) in reserves	(267)	(1,060)	(2,407)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**(267)**	**1,311**	**(1,920)**
Surplus/(deficit) of capital funding	**(122)**	**(162)**	**1,451**
Funding balance	**-**	**-**	**-**

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
$0.6m refuse disposal costs (carbon credits & glass). $0.6m landfill costs due to high growth/construction waste. $0.6m recycling costs.	Not applicable	Recycling New Bins $0.8m reallocated. Gas Capture Facility $0.4m deferred.

Summary of internal borrowings

Activity	30 June 2019 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Waste Management	551	345	193	32

Case study – Waste minimisation fund

As part of the Waste Minimisation Community Plan a contestable fund of $50,000 was launched in February. Open to community groups, businesses, iwi/Māori organisations, educational institutions and other community-based organisations, the aim of the fund is to support projects that move the community towards zero waste, enhance existing programmes, address gaps or create new opportunities.

The grants approved through the first funding round included:

- Sustainable Queenstown, Dishrupt: Contribution towards a service and education trailer providing reusable dishes and cups at local public events.
- Plastic Free Wanaka, Waste Free Wanda: Develop a collection of catchy, interactive songs on waste reduction and shared through community performance.
- ONE New Zealand/Plastic Free Wanaka: Implement a cup reuse scheme in Wanaka cafes supported by a behaviour change, education and community engagement campaign.
- Waste Free with Kate: Presentations at secondary schools to introduce waste free period options. Online resources for health teachers to share with students.
- Local Food Wānaka, Autumn Apple Drive: Community events teaching a hands-on approach to utilise fruit surplus

The mix of projects and ideas submitted has given council a broader understanding of what's possible for waste minimisation initiatives in the community. The council will build on this momentum and will hold another funding round next year.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Total waste diverted from landfill

Year	Result	Target	Commentary
2018-19	5,523t	>5,100t	5,523 tonnes of waste diverted from landfill for the 2018-19 financial year. This achieved the annual target to be above 5,100 tonnes.

KPI: Total waste to landfill

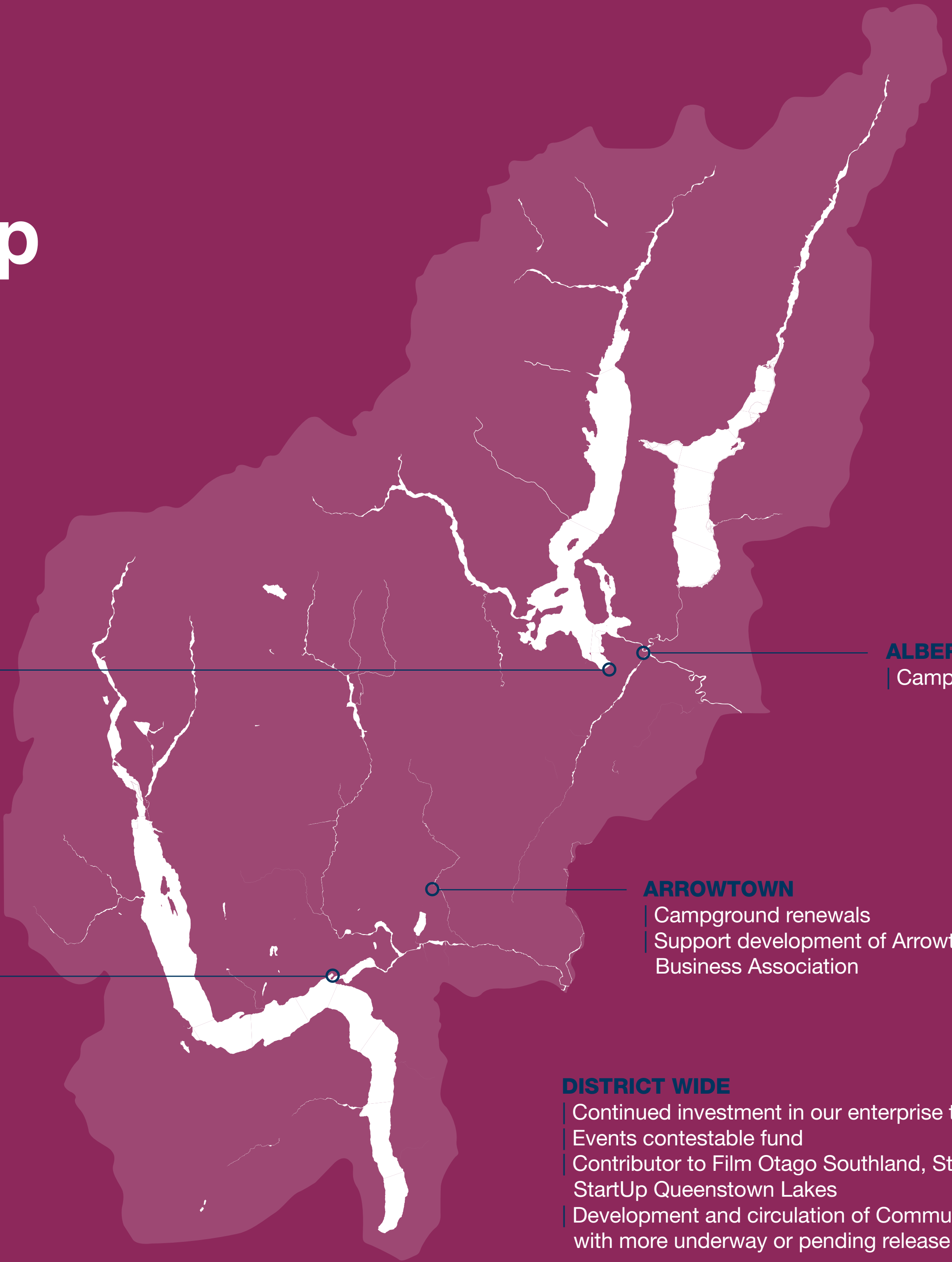
Year	Result	Target	Commentary
2018-19	45,072t	<40,000t	The total waste to landfill year to date is 45,072 tonnes and exceeded the target of 40,000 tonnes per annum. The difference is largely attributable to the district's growth. Initiatives to reverse this trend will be implemented from 1 July 2019 when the new service contract commences.

KPI: Reduction of carbon emission units purchased per head of population (based on average day population)

Year	Result	Target	Commentary
2018-19	0.76	<0.74	The result shows that for every person, 0.76 Emissions Trading Scheme (ETS) units need to be purchased for the 2018-19 year. This continues to be higher than the desired target of <0.74 due to the ongoing disproportionate commerical/retail/hotel construction in the district. It is however, an improvement on the 2017-18 result of 0.79.

Bold leadership

Te amoraki



WANAKA
- Council office refurbishment
- Glendhu Bay campground renewals
- Body cameras for the dog and parking wardens
- Support development of Lake Wanaka Tourism

ALBERT TOWN
- Campground renewals

ARROWTOWN
- Campground renewals
- Support development of Arrowtown Promotion Board and Business Association

QUEENSTOWN
- Lakeview Sale and Development Plan underway
- Memorandum of Understanding with Ngai Tahu Property to develop Project Manawa
- Purchase of Lapsley-Butson wharf in Queenstown Bay
- Council decision to purchase 516 Ladies Mile

DISTRICT WIDE
- Continued investment in our enterprise technology solution
- Events contestable fund
- Contributor to Film Otago Southland, Study Queenstown and StartUp Queenstown Lakes
- Development and circulation of Community Response Plans with more underway or pending release

Economy

- Sustainable growth management
- Partnering for success
- Investing strategically
- Enabling diversification

About economy

WHAT WE DELIVER

Economic Development

QLDC's aim is to achieve a high quality of life for all residents.

This district faces a range of economic strengths and challenges, which need to be taken into account. With a vibrant entrepreneurial spirit and a highly skilled workforce, it's unsurprising that the visitor economy has thrived amongst the incredible natural amenities available. However, our size and location, the cost of living and the pressure of visitor numbers on infrastructure has challenged the growth of a diverse and sustainable economy.

QLDC's Economic Development Strategy has four clear objectives:

- enhance the quality of our natural business and living environments;
- facilitate the growth of the knowledge based sector that reflect the district's advantages;
- attract higher contributing visitors and generate a proportionately higher level of expenditure from visitors; and
- develop a long-term, sustainable approach to investing in infrastructure, which will support and enable future growth.

Film and Events Strategy

Film Otago Southland works with other stakeholders to stimulate economic growth for the region through screen production attraction and marketing, sector development initiatives for businesses, internal sector and policy development, screen facilitation and permitting. The film office facilitates the relationship between the screen sector, government, community and others impacted or benefited by its activity.

We are committed to providing significant investment to support both commercial and community events in the district.

Tourism Promotion

We actively encourage 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.

We support Destination Queenstown, Lake Wanaka Tourism and the Arrowtown Promotion Board through a mixture of levies and rates. QLDC 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.

Commercial Property

516 Ladies Mile, Queenstown

Queenstown Lakes District Council (QLDC) has confirmed the purchase of 516 Frankton-Ladies Mile Highway. The acquisition is a valuable step towards the long-term development of much-needed community assets and services for the surrounding communities including Lake Hayes Estate and Shotover Country.

Potential future use of the land could include community facilities, sports fields, open parks, or a transport hub. Additionally the site offers potential education, commercial, and residential opportunities. All will require the necessary consenting and consultation processes.

Luggate Hall

Queenstown Lakes District Council (QLDC) approved the permanent replacement of the Luggate Hall to be certified Passive House standard. This followed an extensive consultative process and undertaking a business case approach to determine the appropriate provision for the future community facility.

A temporary replacement for the Luggate Memorial Hall has been installed as an interim measure. The building installation is scheduled for 22 July 2019, followed by the fit-out process to enable the building to be ready for use in mid-October 2019. Work has begun on the selection of the project delivery team for the permanent hall replacement.

Lapsley-Butson Wharf

Queenstown Lakes District Council (QLDC) has confirmed the purchase of the Lapsley-Butson wharf on the basis of its importance to the Queenstown Bay Development and its potential use in the future for any part of a ferry network service.

Wanaka Office

Two pre-fabricated buildings have been installed and fitted-out at the Ardmore Street office. This has enabled all of the Wanaka based QLDC staff to be located in one office location, providing the benefit for the community of having a single location for all Council services.

Lakeview Sale and Development Plan:

A comprehensive programme of QLDC projects and private sector developments, to establish a “mixed-use precinct” on the circa 10 hectare Lakeview site.

Negotiations closed-out in respect to various legal agreements with:

- Well Smart Limited (hotel development);
- 34 Brecon Street Limited (hotel development);
- Ngai Tahu Tourism (hot pool development);
- CCR Limited (holiday park operator).

Project Manawa

Negotiations closed-out (under a Memorandum of Understanding) with Ngai Tahu Property limited on a Partnering Agreement to develop a community precinct on the Stanley street site including a CAB public spaces and, subject to consultation, a performing arts and visual arts centre, permanent Library and commercial buildings.

Frankton Campground

In October 2018 the Responsible Camping Strategy was adopted, which defined camping as “staying overnight for recreation in an outdoor area for one or more nights, usually in a tent, cabin, caravan, campervan or other vehicle”. In May 2019 a Request for Proposal (RFP) was released, offering a 20 year commercial lease for the redevelopment of the Frankton Campground as a ‘camping only’ destination.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

- The Regional Economic Development Framework has been recently adopted by the Otago Mayoral Forum and the Provincial Growth Fund have confirmed investment in the development of the Otago Economic Development Strategy. This essential work will help the wider Otago region identify areas of common interest for investment and also reduces the risk of duplication or increased transaction costs across the region.

- The Economic Development team, in alignment with the Economic Development Strategy, have focussed on building support for new businesses in a consistent manner across the district. The team has helped to shape the service offering provided by Startup Queenstown Lakes, and Study Queenstown which have been funded to continue to build on their success over the next two years.

- An area of focus continues to be the role played in the district by remote workers, with recent research having been completed to ascertain the potential for growth and diversification opportunities these workers offer.

The following progress is underway for the Lakeview Sale and Development Plan:

- The management plan for existing users (tenants) at Lakeview has been developed and is underway.

- Super lot (development land) and public realm (road) subdivision consent obtained, subject to completion of infrastructure requirements.

- Preferred master developer selected following competitive (RFDP) procurement process;

- Land exchange subdivision consent obtained including obtaining titles under reserves act process, concluding that process with the DoC.

HOW MUCH IT COST

Breakdown of service cost

Economy	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	343	96	500
Targeted rates	7,991	4,900	4,563
Subsidies & grants for operating expenditure	109	75	62
Fees & charges	-	2,919	3,486
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	1,795	483	2,231
Total sources of operating funding	**10,238**	**8,473**	**10,842**
Applications of operating funding			
Payments to staff and suppliers	6,344	7,194	7,559
Finance costs	2,348	561	297
Internal charges applied	306	715	674
Other operating funding applications	-	-	-
Total applications of operating funding	**8,998**	**8,470**	**8,530**
Surplus/(deficit) of operating funding	**1,240**	**3**	**2,312**
Sources of capital funding			
Subsidies & grants for capital expenditure	26,716	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	2,891	1,917	507
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**29,607**	**1,917**	**507**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	14,784	654	167
- to replace existing assets	128	49	1
- to improve the level of service	17,972	2,217	1,125
Increase/(decrease) in reserves	(2,037)	(1,000)	1,526
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**30,847**	**1,920**	**2,819**
Surplus/(deficit) of capital funding	**(1,240)**	**(3)**	**(2,312)**
Funding balance	**-**	**-**	**-**

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Not applicable	Lakeview Development $1.3m	Lakeview Development Other Infrastructure deferred to 2019/20 $1.7m

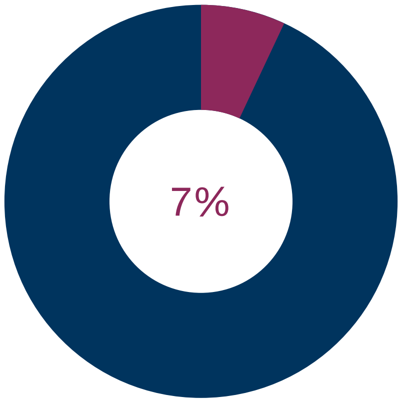
Summary of internal borrowings

Activity	30 June 2019 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	3,464	324	489	151

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Economy expenditure of $8,530,000



Case study – The remote economy project

To gain a better understanding of those who live in the district but earn their income elsewhere, the council commissioned independent research into this population. Following on from data gathered in the Quality of Life survey, this group of people presents a potentially valuable opportunity for the district's economy.

Twenty percent of the Quality of Life survey respondents stated that they travel outside of the district for work or education. Through this project, the aim was to understand a bit more about the characteristics of these residents, the types of study, work and industries, that they are part of.   The project was also supported by Start Up Queenstown Lakes (SQL) and conducted by an independent researcher.

The overall aim is to understand whether some of these people are interested in getting more involved in starting or supporting knowledge-based businesses within the district. If this research finds people who are keen to have a greater local connection, we will work on the next steps. The report is due to be published in September.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Housing Affordability Measure (HAM): Share of first time buyer households with below average income after housing costs.

Year	Result	Target	Commentary
2018-19	90.7%	>74.3%	This Housing Affordability Measure (HAM) measures trends in housing affordability for the first home buyer household. For potential home-owning households, this measure calculates the residual income after housing costs if they were to buy a modest first home in their area. Affordability is affected by dwelling prices, mortgage interest rates and the incomes of rental households. Average income is determined using the average New Zealand household, both homeowners and renters, nation-wide, in June 2013. A higher number indicates a lower level of affordability. The latest data shows that within the Queenstown Lakes district, on average, 90.7% of first home buyer households would have a below average income after paying for housing costs. However, this indicator needs to be interpreted with care as this latest result is as of the 31 March 2018. This data has not been provided quarterly by MBIE as expected when this measure was set.

KPI: Housing Affordability Measure (HAM): Share of renting households with below average income after housing costs.

Year	Result	Target	Commentary
2018-19	43.02%	<44.7%	This Housing Affordability Measure (HAM) measures trends in housing affordability for the renting household. For renting households, this measure calculates what their residual income would be after housing costs. Average income is determined using the average New Zealand household, both homeowners and renters, nation-wide, in June 2013. A higher number on the chart indicates more households are below the average and a lower level of affordability. The latest data shows that within the Queenstown-Lakes District, on average, 43.02% of renting households would have a below average income after paying for housing costs. However, this indicator needs to be interpreted with care as this latest result is as of the 31 March 2018. This data has not been provided quarterly by MBIE as expected when this measure was set. The average NZ income does not reflect local earning conditions in Queenstown-Lakes District, where the average income is generally lower. This measure indicates that rental affordability has generally improved across the district between 2011 and early 2018. Given that rental prices have been rising rapidly in the district during that time, this implies that average incomes (NZ) have been rising at a faster rate. This raises some concern about how accurate this indicator is in the context of Queenstown-Lakes. Particularly as there is evidence of overcrowding and sub-letting of bedrooms in Queenstown rental properties in particular to help manage/share high and rising costs.

KPI: Reduction in the Rental Affordability Index (ratio of the average weekly rent to average weekly earnings).

Year	Result	Target	Commentary
2018-19	0.55	<0.44	The rental affordability index in Queenstown-Lakes District was 0.55 in the year to June 2019. This KPI investigates the affordability of rents in Queenstown-Lakes District by comparing average weekly rents with average weekly earnings (which are calculated from estimated average annual earnings). The rental affordability index is the ratio of the average weekly rent to average weekly earnings. A higher ratio, therefore, suggests that average rents cost a greater multiple of typical incomes, which indicates lower rental affordability. The latest data, as of June 2019, shows that average weekly rent in the Queenstown-Lakes District is 55% of the average income. By comparison, rents nationally are approximately one third of average income.

KPI: Reduction in the Housing Affordability Index (ratio of the average current house value to average annual earnings).

Year	Result	Target	Commentary
2018-19	21.4	<16.1 (maintain/ improve)	The housing affordability index in Queenstown-Lakes District was 21.4 in the year to June 2019. The housing affordability index is the ratio of the average current house value to average annual earnings. A higher ratio, therefore, suggests that average houses cost a greater multiple of typical incomes, which indicates lower housing affordability. The latest data, as of June 2019, shows that the average house price in the Queenstown-Lakes District was worth 21.4 times more than the average income in Queenstown-Lakes. Nationally, the average house price is worth 11 times the average income.

KPI: Return on cost of commercial property, excluding revaluation gains/losses.

Year	Result	Target	Commentary
2018-19	427.5%	maintain/ improve	This is a high return as it includes $1.78m of Lakeview income from Wellsmart Holdings and a $0.25m rent review increase for the camp ground commercial license fees. This should be considered an exceptional result and may not be an appropriate baseline ongoing.

KPI: Percentage of commercial ratepayers who are satisfied with a) the information they receive, b) their ability to have a say, c) satisfaction with RTOs, d) services essential for their business operations (response/resolution, clarity of process and timeframes, staff knowledge and professionalism, fairness and consistency.

Year			Result	Target	Commentary
2018-19	a) information they receive		57%	>50%	QLDC conducted a survey of commercial ratepayers during September. The survey had a final sample size of n=137 with a maximum margin of error of +/- 8.18% at the 95% confidence interval. This means, that if an observed result is 50%, then there is a 95% probability that the true answer lies between 41.82% and 58.18%. This margin of error was based on the estimated population of 3000 commercial ratepayers. Due to the low response rate, and resulting large margin of error, QLDC will review the methodology for engaging with commercial ratepayers and businesses in the next financial year.
	b) ability to have a say		59%		
	c) satisfaction with RTOs	Destination Queenstown	42%		
		Lake Wanaka Tourism	28%		
		Arrowtown Business and Promotion Association	19%		
	d) services essential to their business operations	Speed of response	41%		
		Resolution	55%		
		Clarity of process	68%		
		Timeframes	75%		
		Staff knowledge	51%		
		Professionalism	59%		
		Fairness	55%		
		Consistency	49%		

Regulatory functions and services

A responsive organisation

About regulatory functions and services

WHAT WE DELIVER

Building consents

The Building Services Team is responsible for ensuring buildings are constructed in a safe manner and all aspects of the building code and the Building Act 2004 are complied with. This is achieved through the consenting and compliance process.

The Council employ adequate staff and external contractors to ensure the above is delivered efficiently and effectively. This includes processing approximately 2,000 building consents (with a built value of approximately $800m) and undertaking 12,000 inspections annually.

The Building Services team is also responsible for ensuring all public buildings are safe and sanitary for occupancy. This is achieved by administering and ensuring compliance with the Building Warrant of Fitness scheme. Building work is regulated to ensure the health and safety of people and sustainability in design and construction methods.

Enforcement

Parking and Freedom Camping

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

Liquor Licensing

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

Bylaw Enforcement

The Animal Control service includes responding to complaints of wandering dogs, stock on roads, barking dogs, lost and found services, registration information, patrolling and education programmes. This ensures residents are safe, whilst the welfare of animals is protected.

Noise control operates 24 hours a day, seven days a week. Contractors respond to complaints of antisocial behaviour regarding noise. The majority of complaints are regarding stereo noise and associated people noise. People noise is a police matter.

We also work with the community to reduce littering.

Waterways

We provide a range of recreational boating facilities so that the community can safely use waterways for recreation and commercial activity. This includes a harbourmaster to enforce bylaws and regulations to promote water safety. Harbourmaster services are provided 365 days a year.

Environmental Health

We promote, protect and improve the health of our community, through the application of various legislative requirements regarding premises such as food businesses, hairdressers, camping grounds and offensive trades.

Legal Road Closures

The temporary road closure application process is managed by APL Property Ltd on behalf of the Council, with final approval through the Chief Executive of QLDC.

These requests are normally associated with events including filming, sports events, and community activities. All temporary road closure requests are considered as per the legislative requirements in the Local Government Act 1974.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

The Responsible Camping Strategy was adopted and with the funding received from MBIE Council was able to introduce several initiatives to assist with Freedom Camping over Summer 2018/19.

- Four hubs were set up to support campers - two overnight hubs and two day hubs.
- 12 Camping Ambassadors were employed to educate campers and to ensure behavioural change within the district.
- New signage initiatives were undertaken to ensure campers were aware of expectations.

The above initiatives resulted in a significant decrease in complaints from the community and less damage to our environment and existing infrastructure.

The Freedom Camping bylaw is currently in progress and due to be completed by 18 December 2019.

The Traffic and Parking Bylaw has been completed.

The Dog Control Bylaw is currently in progress.

The Alcohol Strategy is currently being considered and reviewed. Part of this process included changing the Alcohol Restrictions in Public Places Bylaw on the 30 November 2018.

HOW MUCH IT COST

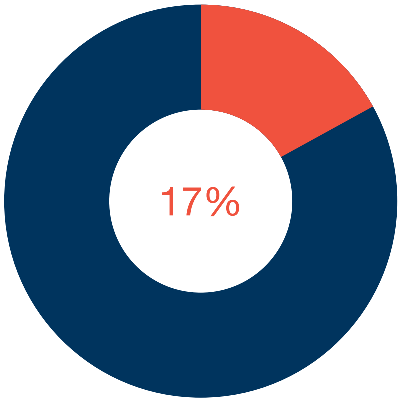
Breakdown of service cost

Regulatory Functions and Services	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	1,145	2,088	1,635
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	3,471	8,083	8,156
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	1,304	3,504	3,564
Total sources of operating funding	**5,920**	**13,675**	**13,355**
Applications of operating funding			
Payments to staff and suppliers	4,346	10,063	15,258
Finance costs	6	9	5
Internal charges applied	1,625	3,736	4,222
Other operating funding applications	-	-	-
Total applications of operating funding	**5,977**	**13,808**	**19,485**
Surplus/(deficit) of operating funding	**(57)**	**(133)**	**(6,130)**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(11)	42	16
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**(11)**	**42**	**16**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to replace existing assets	16	-	-
- to improve the level of service	-	65	37
Increase/(decrease) in reserves	(84)	(157)	(6,151)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**(68)**	**(92)**	**(6,114)**
Surplus/(deficit) of capital funding	**57**	**133**	**6,130**
Funding balance	**-**	**-**	**-**

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Regulatory expenditure of $19,485,000



Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
$4.1m provision for appeals and settlements for the defence and resolution of legal claims; contract staff $0.6m higher than budget due to high volumes - recovered in revenue.	Not applicable	Not applicable

Summary of internal borrowings				
Activity	**30 June 2019 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 Functions and Services	57	7	13	2

Case study – Responsible Camping

The council received $530k from Central Government's Responsible Camping Working Group to provide new facilities and services in the district during the summer months. From mid-November until late March, the following were provided:

- Two overnight campsites providing free camping for a limited number of certified self-contained campers only for a maximum of two nights. Locations are Red Bridge near Luggate and State Highway 6 Layby near Kingston.
- Two service hubs for day use, providing toilets, rubbish disposal, dump station and WIFI. Service day hubs were located at Frankton, behind Pak 'n' Save and Ballantyne Road, Wanaka, maximum 2-hour use.
- Twelve full-time camping ambassadors based at hubs, key locations and roaming throughout the district when possible, educating campers on where and how to camp responsibly
- Increased monitoring of camping hubs to ensure responsible behaviour.
- Increased signage and new information boards to further educate non self-contained campers.
- Real time maps and updates through a joint venture with Campermate, New Zealand's most widely used free app for information to campers.
- New education brochure widely distributed within and outside the district.
- Support and collaboration from the Motorhome industry.

The project aligned with other QLDC strategies, policies and bylaws to address the effect of freedom camping, particularly on reserve areas. They focused on educating campers and redirecting them to camping hubs or sites. The project was also the result of feedback from the community regarding protection of the environment.

In addition to this project, the Council also adopted a Responsible Camping Strategy which set out an agreed vision, goals and actions that will deliver a positive, memorable camping experience, encouraging good behaviour, protecting our special environment and directly addressing the concerns of residents. The partners to this strategy included Queenstown Lakes District Council, Department of Conservation, New Zealand Transport Association, Land Information New Zealand and Ministry of Business, Innovation and Employment, as well as input from Central Otago and Southland District Councils.

The council will review the outcomes from the trial project in order to deliver a similar approach to responsible camping in summer 2019-20.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Every food business that is due an audit is audited within the timeframe according by the Food Act 2014.

Year	Result	Target	Commentary
2018-19	80%	100%	The annual target of 100% was not achieved for 2018-19. The new Food Act requires audits to be conducted based on the outcome of their initial audits. This means that the audit cycle is fluid and depends on the outcomes of audits as to how many will be scheduled in the upcoming months. Resourcing is the main issue that is affecting this KPI result. The complexity of undertaking audits has changed under the new legislation. Under the old Food Hygiene Regulations a business would be inspected (not a booked appointment) and each inspection would, on average, take 30 minutes on site. Comparably, an audit is a minimum of 2 hours for just the time on site, with the entire process taking approximately 8 hours to finalise. This is exacerbated when businesses request last minute scheduling changes, do not respond to schedule requests or fail to turn up to audit appointments.

KPI: Number of Request for Service freedom camping complaints.

Year	Result	Target	Commentary
2018-19	255	<318	255 freedom camping RFS were received in the 2018-19 year. This achieves the target set to be under 318. This is due to the change in approach outlined within the Responsible Camping Strategy.

KPI: Percentage of building consents processed within statutory timeframes.

Year	Result	Target	Commentary
2018-19	94%	100%	The 2018-19 year end result was 94% of building consents processed within the 20 day statutory timeframe. This did not meet the 100% target due to continued high consent numbers and commercial processing capacity not meeting demand late last year and earlier this year. This has now been resolved with more internal and external commercial consenting resource being provided.
2017-18	97%		
2016-17	81%		

Local democracy

Communities are resilient and prepared for civil defence emergency events

An organisation that demonstrates leadership

An organisation that considers the district's partnership with Mana Whenua

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 Ten 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.
- 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 ten Councillors with the District divided into three wards:

MAYOR
Jim Boult ONZM
ARROWTOWN WARD
Scott Stevens
WAKATIPU WARD
Penny Clark
Craig (Ferg) Ferguson
Alexa Forbes
Tony Hill
John MacDonald
Valerie Miller
WANAKA WARD
Calum MacLeod (Deputy Mayor)
Ross McRobie
Quentin Smith

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 Upper Clutha 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
Quentin Smith (Chair)
Jude Battson
Rachel Brown
Ruth Harrison
Calum MacLeod
Ross McRobie
Ed Taylor

Committees

The Council reviews its committee structure after each triennial election. At the 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
- 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 John MacDonald
Cr Calum MacLeod
Cr Ross McRobie
Cr Valerie Miller
Cr Quentin Smith

INFRASTRUCTURE COMMITTEE
Cr Alexa Forbes (Chair)
Cr Penny Clark
Cr Craig Ferguson
Cr John MacDonald
Cr Ross McRobie

COMMUNITY AND SERVICES COMMITTEE
Cr Scott Stevens (Chair)
Cr Penny Clark
Cr Craig Ferguson
Cr Valerie 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 Neil Gillespie
Mr John Mann
Mr Michael MacAvoy
Mr Bob McNeil

CHIEF EXECUTIVE PERFORMANCE REVIEW SUBCOMMITTEE
Mayor Jim Boult ONZM
Cr Alexa Forbes
Cr Ross McRobie

This committee structure was reviewed in February 2018 and the decision made to maintain the structure as it currently exists.

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: Queenstown-Wakatipu, Arrowtown and Wanaka. The Mayor is elected at large throughout the district. Six Councillors are elected from the Queenstown-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 12 October 2019.

Emergency management

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

- Identify 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.
- 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 2018-2028

- The development and circulation of Community Response Plans to our district's local communities is progressing well. Plans have been released for our communities in Arrowtown, Gibbston Valley, Jacks Point/ Kelvin Peninsula, Kingston, Lake Hawea, Makarora and Shotover Country/Lake Hayes. Further plans are pending release or under development for our communities in Wanaka, Glenorchy, Arthurs Point and Luggate
- The development of our QLDC Emergency Management staffing capability has been strengthened through the deployment of new training workshops and the development of a new Emergency Management process structure to help clarify roles and responsibilities
- A review of Emergency Response plans is in progress to help ensure that we are response-ready for a variety of emergency scenarios
- A number of steering groups have been established to help build relationships and support emergency response planning across the following sectors and agency groups: Tourism Operators, Emergency Services, Welfare Support Agencies, Lifeline Utilities
- We have hosted a number of public roadshow events and technical workshops in support of the AF8 (Alpine Fault M8) Project and committed our ongoing support to the AF8 response framework

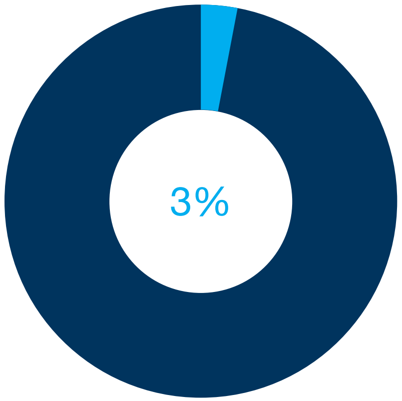
HOW MUCH IT COST

Breakdown of service cost

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $117,224,000 (excluding depreciation)

Local democracy expenditure of $3,959,000



Local Democracy	2018 LTP $000	2019 LTP $000	2019 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	700	286	565
Targeted rates	2,851	3,640	5,040
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	55	24	31
Interest and dividends from investments	3,822	4,958	5,391
Fuel tax, fines, infringement fees & other receipts	-	-	8
Total sources of operating funding	**7,428**	**8,908**	**11,035**
Applications of operating funding			
Payments to staff and suppliers	2,241	2,219	2,307
Finance costs	10	-	-
Internal charges applied	1,401	1,792	1,652
Other operating funding applications	-	-	-
Total applications of operating funding	**3,652**	**4,011**	**3,959**
Surplus/(deficit) of operating funding	**3,776**	**4,897**	**7,076**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**-**	**-**	**-**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to replace existing assets	-	-	-
- to improve the level of service	-	-	2
Increase/(decrease) in reserves	3,776	4,897	7,074
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	**3,776**	**4,897**	**7,076**
Surplus/(deficit) of capital funding	**(3,776)**	**(4,897)**	**(7,076)**
Funding balance	**-**	**-**	**-**

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Not applicable	Not applicable	Not applicable

Summary of internal borrowings				
Activity	**30 June 2019 Internal loan balance $000**	**Total funds repaid in the year $000**	**Total funds borrowed during the year $000**	**Interest paid in the year $000**
Local Democracy	Nil	Nil	Nil	Nil

Case study – Treaty of Waitangi commemorations

The Wakatipu had the honour of being the venue for this year's Otago and Southland Kāi Tahu Treaty of Waitangi commemorations, which were held at the Queenstown Recreation Ground on Memorial Street. This was the first time that the Wakatipu area had this opportunity to hold these commemorations, traditionally held in Bluff and Dunedin.

The commemorations gave the community time to reflect upon and acknowledge the history surrounding te Tiriti – a partnership between Māori and Pākehā. In addition, it provided our multicultural community the chance to celebrate the richness that comes from such a diverse population.

Following a procession from Earnslaw Park, the public was welcomed onto a temporary marae at the Recreation Ground. Following the commemorative part of the day, there were cultural performances from many community groups including Chinese, African, and Brazilian performers. Food was also available from various vendors throughout the afternoon.

The commemorations were well attended by residents and vistors who learnt and reflected on te Tiriti and its influence on daily life in contemporary Aotearoa New Zealand.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Percentage of residents and ratepayers who consider themselves resilient and prepared in the event of an emergency.

Year	Result	Target	Commentary
2018-19	45%	>80%	45% of residents and ratepayers consider themselves prepared for an emergency, 41% said they are not prepared and 14% were not sure, as measured by the Quality of Life survey. This finding is taken into account in all ongoing Civil Defence Emergency Management planning.

KPI: Percentage of QLDC staff (that are part of the emergency response structure) who have participated in training throughout the year.

Year	Result	Target	Commentary
2018-19	93%	100%	93% of Emergency Operations Centre (EOC) staff participated in training in the 2018/2019 financial year. There are 61 staff in the EOC structure, with 57 having attended training.

KPI: Percentage of residents and ratepayers who are satisfied with overall Council performance.

Year	Result	Target	Commentary
2018-19	43%	>80%	43% are extremely satisfied and satisfied with Council performance as measured by the Quality of Life survey, September 2018.

KPI: Attendance at all Te Roopu Taiao

Year	Result	Target	Commentary
2018-19	50%	100%	50% of meetings were attended by a QLDC representative. There were two meetings during the reporting period, one of which conflicted with a scheduled Council meeting.

KPI: Mana Whenua satisfaction with engagement by QLDC. This measure will be sought from representatives of the Murihiku and Otakou Runaka.

Year	Result	Target	Commentary
2018-19	Under development	>80%	This survey is under development with the staff of the Runaka consultancies (Aukaha and TAMI), who will test the result with the Runaka prior to reporting for the next financial year.

Finance and support services

An organisation that consults effectively and makes sound decisions

About finance and 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.
- 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 provides 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.

Procurement

To facilitate the greater than ever delivery of infrastructure, QLDC has boosted its procurement capability.

In the three waters area multiple market briefings provided suppliers with visibility of our planned procurement approach. The outcome being that we now have new supplier panels in place to design and construct our projects. for local companies and new entrants alike.

Another example of taking a different approach to procurement is the "Way to Go" alliance. This joined-up approach of QLDC, NZTA and ORC is intended to take an integrated approach and to collectively fund and solve some of the districts key transport issues.

PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

The following technology roadmaps have been developed:

> We have improved our levels of service by extending our online capability through creating an online parking ticket waiver option and extending online payment options.

> The TechOne Cloud (SaaS) project and the Cloud Back-up as a Service (BaaS) projects have been started which will ensure our information is secure and available in the event of a disaster.

> Enterprise Content Management (ECM) has been rolled-out and Yoda (Intranet) has been implemented. These will improve access to enterprise-wide information to support good decision making.

> Our Enterprise System has been extended and it now includes ECM, 3 Waters and Open Spaces Life Cycle asset management project. The Performance Planning and Risk Management modules were also implemented.

> To facilitate a more mobile and flexible workforce mobile devices are being rolled out to all staff.

> Network, compute and storage upgrade projects are in progress to ensure infrastructure is fit for purpose and up to date.

The following HR initiatives have been completed or are underway:

> A competency matrix for all roles within the organisation has been started, focusing on both technical and behavioural elements. The behavioural competencies we will look to embed to the organisation over the 2019-20 financial year.

> We continue to improve our reward and recognition programmes which includes an update of the Awesomeness Awards process; introduction of more reward opportunities to staff through Torpedo7 and N3 and we are currently working on specific tools for managers to deliver immediate recognition to staff (recognition packs).

> A workplace strategy for the modern work place has been developed.

> Our Flexible Working Policy was implemented in August 2018.

> We continue a focus on leadership development to drive business capacity, capability and performance. A leadership development evaluation was conducted in June 2019. The procurement process for leadership development services will commence shortly.

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.

Case study – Quality of life survey

As part of a wider review of how QLDC monitors community sentiment, the first Quality of Life survey was administered. The survey replaced the annual Resident and Ratepayer survey in an effort to paint a better picture of our communities. The survey covered a broad range of subjects including housing and income, employment, community services and facilities, emergency preparedness, community safety, transport, environment, local democracy, belonging in the district, community networks and connections, resilience and overall quality of life.

An overwhelming response was received to the survey, which was promoted by employers and community organisations. Over 2000 people responded giving confidence to the final results.

The final report can be found here:

www.qldc.govt.nz/assets/Uploads/Our-Community/Quality-of-Life/QLDC-Quality-of-Life-2018-Report.pdf

The findings have been used by councillors and the wider community to support discussions around growth and access to mental health and maternity services. In addition, the data is being used to plan community facilities within the spatial plan, as well as develop projects to support newcomers to the district.

The survey will be developed with partners and repeated in October 2019.

How we performed

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Percentage of complaints that are resolved within 10 working days.

Year	Result	Target	Commentary
2018-19	87.1%	>95%	87.1% of complaints have been resolved within 10 working days for 2018-19. Overall there were 41 complaints in total, of which six were overdue for the 2018-19 year. Further focus is required to meet target.

KPI: Reduction in the Total Recordable Injury Frequency Rate

Year	Result	Target	Commentary
2018-19 2017-18	15.17 17	<9	Improvements to the reporting system, including the implementation of the online MySafety system, in the 2019/2020 financial year has seen an increase in the volume of health and safety reporting. The Total Recordable Injury Frequency Rate remains above target at 15.17, but is a reduction on the June 2018 result of 17.

KPI: Percentage of ratepayers who are satisfied with the opportunities to have their say

Year	Result	Target	Commentary
2018-19	58%	>80%	58% were extremely satisfied and satisfied with opportunities to have their say, as measured by the Quality of Life survey. This did not meet the target set and further focus is required to meet the 80% target.

KPI: Net cash flow from operations equals or exceeds budget (predictability benchmark/ operations control benchmark).

Year	Result	Target	Commentary
2018-19	95.2%	≥100%	Favourable net cash inflow partly due to $0.4m additional dividends received from QAC.

KPI: Customer satisfaction with a) speed of response and final resolution b) clarity of process and timeframes c) staff knowledge and professionalism d) fairness and consistency.

Year	Result	Target	Commentary
2018-19	a) 51%	>50%	Individual customer satisfaction on a case by case basis is above target. There is room for continued improvement, with standout positive feedback in relation to staff knowledge and professionalism.
	b) 68%		
	c) 78%		
	d) 77%		

KPI: Capital expenditure on the five network infrastructure services equals or exceeds depreciation on those five services (sustainability benchmark/ balanced budget benchmark).

Year	Result	Target	Commentary
2018-19	342.1%	≥100%	Increase on the 238% from year end June 2017 due to the increased number of capital projects and significant growth in the current LTP programme budget.

KPI: Debt servicing to rates revenue.

Year	Result	Target	Commentary
2018-19	5.4%	<15%	The debt servicing to rates revenue is 5.94% for this year and achieved the target set.

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

Year	Result	Target	Commentary
2018-19	7.5%	<30%	Target achieved due to increased efforts regarding debt collection.

KPI: Renewals capex to depreciation ratio.

Year	Result	Target	Commentary
2018-19	0.67	>1	Depreciation expense was above budget by $2.4m for the year, largely due to the revaluation of infrastructure assets.

KPI: Rates income complies with the limits set in the financial strategy (affordability benchmark/rates benchmark)

Year	Result	Target	Commentary
2018-19	51.1%	<55%	The target has been achieved. There has been a positive impact of targeted rates which are often ward or scheme based.

KPI: Debt complies with the limits set in the council's financial strategy (affordability benchmark/rates benchmark).

Year	Result	Target	Commentary
2018-19	73.9%	<250%	73.9% is a slight increase from the 30 June 2017 figure of 72.5% and achieved the target set. This is due to lower than expected borrowing costs and the timing of some capital works.
2017-18	72.5%		

KPI: Net debt per rating unit.

Year	Result	Target	Commentary
2018-19	$3,186.85	<$7,100	$3,186.85 is a decrease from the 30 June 2017 figure of $3,940 and achieved the target set. This remains low due to lower than expected borrowing costs and the timing of some capital works.
2017-18	$3,940		

KPI: Rates per rating unit.

Year	Result	Target	Commentary
2018-19	$2,803.42	<$2,700	The rates increase for 2018-19 was higher than forecast.

KPI: Revenue (excluding income from development and financial contributions, revaluations and vested assets) exceeds operating expenditure (sustainability benchmark/balanced budget benchmark).

Year	Result	Target	Commentary
2018-19	99.8%	≥100%	Operational costs for 2018-19 are higher than forecast

KPI: Net debt is less than or equal to forecast net debt in the local authority's long term plan (predictability benchmark/Debt control benchmark).

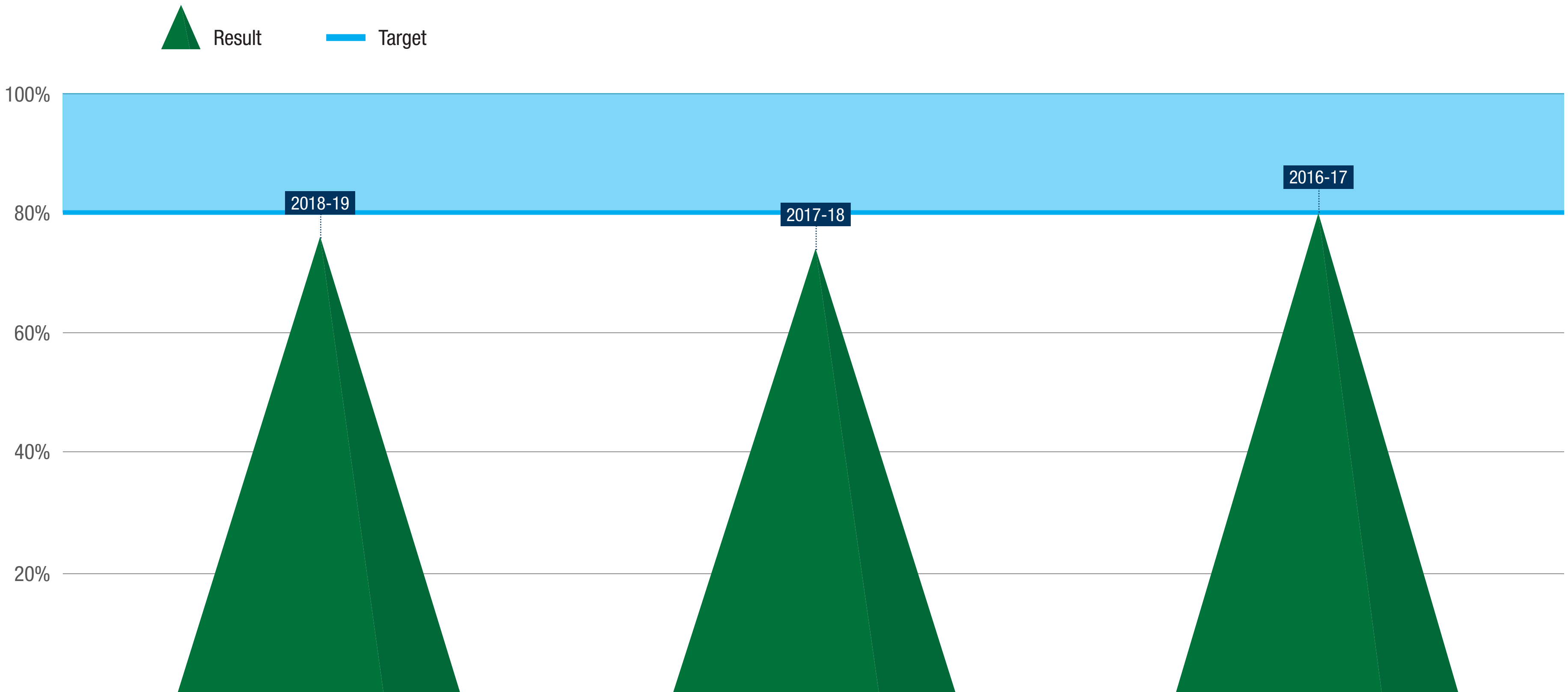
Year	Result	Target	Commentary
2018-19	70.9%	<100%	The target has been met, with 70.9% an increase from the 2017-18 figure of 58%. This remains low due to lower than expected borrowing costs and the timing of some capital works.
2017-18	58%		

KPI: Borrowing costs are less than 10% of operating revenue (or 15% for those with projected growth at or above NZ average) (sustainability benchmark. Debt servicing benchmark).

Year	Result	Target	Commentary
2018-19	2.7%	<15%	The target has been met, with 2.7% a decrease from the 2017-18 figure of 6.1%. This is due to lower than expected borrowing costs and the timing of some capital works.

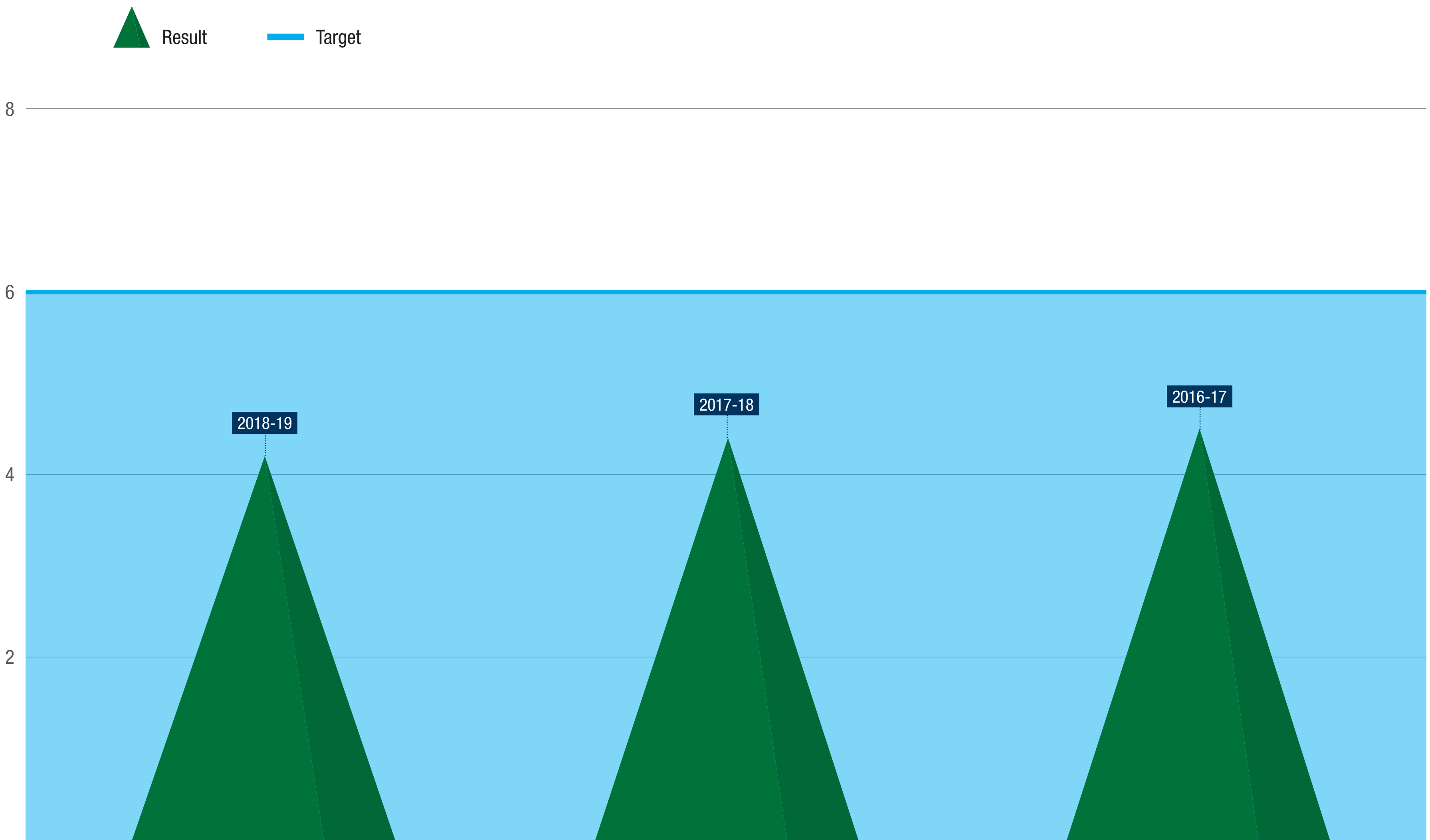
KPI: Percentage of customer calls that meet the service level, answered within 20 seconds.

Year	Result	Target	Commentary
2018-19	76%	>80%	76% of customer calls were answered within 20 seconds this year to date. 85,045 calls have been received in total for 2018-19, which is a significant increase on the same period last year. Aggregate results remained consistently above target for the majority of the year, and only dropped below target due to the low result in June, where call numbers spiked due to the roll-out of the new waste management contract.
2017-18	74%		
2016-17	80%		



KPI: Weighted average interest rate.

Year	Result	Target	Commentary
2018-19	4.2%	<6%	The weighted average interest rate is 4.2% for the 2018-19 year. This is better than the previous years due to lower than expected interest rates for the period.
2017-18	4.4%		
2016-17	4.5%		



Queenstown Airport Corporation Ltd

Year Ended 30 June 2019	Forecast 2019 $000	Actual 2019 $000	Variance 2019 $000
Revenue	**50,118**	**49,635**	**(483)**
Operating Expenditure	16,114	15,295	(819)
EBITDA	34,005	34,340	335
Interest Expense	3,757	2,943	(814)
Depreciation and Amortisation	9,594	8,319	(1,275)
Profit Before Tax	20,653	23,078	2,425
Net Profit After Tax	13,965	16,590	2,625
Dividends Paid	6,983	8,295	1,312
Total Assets	455,914	371,084	(84,830)
Total Liabilities	176,880	86,951	(89,929)
Shareholders Funds	279,034	284,133	5,099
Operating Cash Flow	26,110	22,669	(3,441)
Capital Expenditure	106,351	23,937	(82,414)
Closing Debt	147,465	62,700	(84,765)

Year Ended 30 June 2019	Forecast 2019 $000	Actual 2019 $000	Variance 2019 $000
Total PAX (000's)	**2,325**	**2,322**	**(3)**
Percentage International PAX	29%	28%	-1%
Revenue Per PAX	$21.55	$21.38	($0.17)
NPAT per PAX	$6.01	$7.14	$1.13
Return on Equity (NPAT to Avg SH Funds)	5.0%	5.8%	0.8%
Return on Assets (NPAT to Avg Total Assets)	3.1%	4.5%	1.4%
EBITDA to Total Assets			
Gearing: Debt: EBITDA	4.3	1.8	
EBITDA >2 times funding expense	9.1	11.7	
Shareholders Funds to Total Tangible Assets >50%	61%	76%	

ASSESSMENT OF ACTUAL VS FORECAST FINANCIAL PERFORMANCE

Slightly lower than expected passenger performance and postponed commencement of specific new commercial revenue streams resulted in Total Revenue of 1% below forecast.

Total Operating Expenditures was 5% favourable to forecast due to strong cost managment, resulting in savings in consultancy services and salaries and wages.

As a result, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) were 1% higher than forecast.

Interest costs and Depreciation & Amortisation were lower than forecast due to the timing of capital expenditure.

Tax expense reflects an effective tax rate of 28.1%, resulting in NPAT of 19% fabourable to forecast.

Dividend for the year of $8.2 million was 50% of Net Profit After Tax (NFAT), in accordance with the forecast percentage rate.

Total Assets and Capital Expenditure were lower than forecast due to the timing of capital expenditure.

Funding Impact Statement Whole Council (QLDC only)

Funding Impact Statement - Whole Council (QLDC only)

	2018 Annual Plan $000	2018 Actual $000	2019 LTP $000	2019 Actual $000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	3,360	3,642	3,322	3,669
Targeted rates	64,310	63,775	71,474	70,717
Subsidies & grants for operating expenditure	5,541	6,007	4,897	7,899
Fees & charges	31,345	32,303	36,681	36,783
Interest and dividends from investments	3,822	6,016	4,958	5,998
Fuel tax, fines, infringement fees & other receipts	5,795	8,923	7,797	10,794
Total sources of operating funding	**114,173**	**120,668**	**129,129**	**135,860**
Applications of operating funding				
Payments to staff and suppliers	82,487	95,613	105,080	112,620
Finance costs	10,695	3,957	6,742	3,951
Other operating funding applications	-	-	-	-
Total applications of operating funding	**93,182**	**99,570**	**111,822**	**116,571**
Surplus/(deficit) of operating funding	**20,991**	**21,098**	**17,307**	**19,289**
Sources of capital funding				
Subsidies & grants for capital expenditure	6,850	6,173	12,816	7,981
Development and financial contributions	6,616	15,985	16,239	14,054
Increase/(decrease) in debt	29,660	11,684	43,438	19,545
Gross proceeds from sale of assets	-	3,915	24,800	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	**43,126**	**37,757**	**97,293**	**41,580**
Applications of capital funding				
Capital expenditure				
- to meet additional demand	27,972	22,256	41,844	20,692
- to replace existing assets	13,656	13,120	26,163	18,084
- to improve the level of service	22,488	17,611	46,594	22,223
Increase/(decrease) in reserves	1	5,868	(1)	(130)
Increase/(decrease) of investments	-	-	-	-
Total applications of capital funding	**64,117**	**58,855**	**114,600**	**60,869**
Surplus/(deficit) of capital funding	**(20,991)**	**(21,098)**	**(17,307)**	**(19,289)**
Funding balance	**-**	**-**	**-**	**-**

Reconciliation of Funding Impact Statement to Statement of Financial Performance

	2018 Annual Plan $000	2018 Actual $000	2019 LTP $000	2019 Actual $000
INCOME				
Statement of Comprehensive Revenue and Expense:				
Total operating income	**139,017**	**176,201**	**194,973**	**197,006**
Funding Impact Statement:				
Total sources of operating funding	114,173	120,668	129,129	135,860
Plus sources of capital funding:				
Subsidies & grants for capital expenditure	6,850	6,173	12,816	7,981
Development and financial contributions	6,616	15,985	16,239	14,054
Other dedicated capital funding	-	-	24,800	-
Less cost of property sales	-	-	-	-
Plus non-cash items:				
Vested assets	10,749	30,684	10,733	36,070
Other gains/(losses)	629	2,691	1,256	3,041
Total income	**139,017**	**176,201**	**194,973**	**197,006**
EXPENDITURE				
Statement of Comprehensive Income:				
Total operating expenditure	**117,551**	**124,718**	**136,970**	**144,134**
Funding Impact Statement:				
Total applications of operating funding	93,182	99,570	111,822	116,571
Plus non-cash items:				
Depreciation & amortisation expense	24,369	25,148	25,148	27,563
Other	-	-	-	-
Total expenditure	**117,551**	**124,718**	**136,970**	**144,134**

Section 03: Financial statements

Wāhaka 3: Kā tauākī ahumoni

Statement of Financial Performance

For the financial year ended 30 June 2019	Notes	Council 2019 $'000	Council Budget $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Operating revenue						
Revenue from non-exchange transactions						
Rates revenue	2 (a)	73,444	74,196	66,559	72,963	66,179
Other revenue	2 (a)	80,066	56,373	70,795	80,048	70,616
Revenue from exchange transactions						
Other revenue	2 (b)	40,455	38,348	36,156	84,469	75,520
Other gains/(losses)	2 (b)	3,041	26,056	2,691	3,075	2,115
Total revenue	**2 (g)**	**197,006**	**194,973**	**176,201**	**240,555**	**214,430**
Operating expenditure						
Employee benefits expense	2 (c)	30,561	30,643	24,513	36,604	30,196
Depreciation and amortisation expense	2 (d)	27,563	25,148	25,148	35,768	33,142
Borrowing costs	2 (e)	3,951	6,742	3,957	6,894	6,430
Other expenses	2 (f)	82,059	74,437	71,100	90,729	77,558
Total operating expenditure	**2 (g)**	**144,134**	**136,970**	**124,718**	**169,995**	**147,326**
Operating surplus before income tax		**52,872**	**58,003**	**51,483**	**70,560**	**67,104**
Income tax expense	3	-	-	-	6,488	6,005
Operating surplus for the year		**52,872**	**58,003**	**51,483**	**64,072**	**61,099**
Operating surplus attributable to:						
- Council	20	52,872	58,003	51,483	59,944	57,216
- Non-controlling interest	21	-	-	-	4,128	3,883
		52,872	**58,003**	**51,483**	**64,072**	**61,099**

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 2019	Notes	Council 2019 $'000	Council Budget $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Surplus for the year		52,872	58,003	51,483	64,072	61,099
Other comprehensive revenue and expense						
May be reclassified subsequently to revenue or expense when specific conditions are met						
Gain/(loss) on revaluation	19 (a)	384,448	-	7,340	384,448	41,465
Income tax relating to revaluation	19 (a)	-	-	-	-	(905)
Gain/(loss) on cash flow hedging	19 (d)	-	-	-	(693)	(399)
Realised losses transferred to the statement of financial performance	19 (d)	-	-	-	318	306
Income tax relating to cash flow hedging	19 (d)	-	-	-	194	112
Total comprehensive income		**437,320**	**58,003**	**58,823**	**448,339**	**101,678**
Attributable to:						
- Council		437,320	58,003	58,823	444,238	89,755
- Non-controlling interest		-	-	-	4,101	11,923
		437,320	**58,003**	**58,823**	**448,339**	**101,678**

Statement of Financial Position

As at 30 June 2019	Notes	Council 2019 $'000	Council Budget $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Current assets						
Cash and cash equivalents	28	20,876	336	10,028	21,785	11,925
Trade and other receivables from non-exchange transactions	6	7,528	9,435	5,957	7,528	5,957
Trade and other receivables from exchange transactions	6	11,788	3,865	9,222	15,645	12,966
Inventories		53	46	46	53	46
Other financial assets	7	13	15	9,513	13	9,513
Other current assets	8	912	797	1,214	1,263	1,703
Asset held for Sale	8	1,237	-	-	1,237	-
Development property	9	-	17,127	-	-	-
Total current assets		**42,407**	**31,621**	**35,980**	**47,524**	**42,110**
Non-current assets						
Investment in subsidiaries	25	5,412	6,250	6,250	-	-
Other financial assets	7	1,867	2,135	1,707	1,867	1,707
Property, plant and equipment	10	1,684,493	1,314,519	1,231,645	2,034,837	1,567,308
Forestry assets	11	2,151	-	-	2,151	2,446
Intangible assets	12	2,703	-	1,607	7,217	4,761
Investment property	13	58,325	58,345	53,162	58,325	53,162
Development property	9	11,266	-	12,503	11,266	12,503
Total non-current assets		**1,766,217**	**1,381,249**	**1,306,874**	**2,115,663**	**1,641,887**
Total assets		**1,808,624**	**1,412,870**	**1,342,854**	**2,163,187**	**1,683,997**
Current liabilities						
Trade and other payables from exchange transactions	14	27,684	23,924	27,071	31,895	30,371
Borrowings	15	20,136	47,000	30,203	40,136	30,203
Other financial liabilities	16	-	8,548	96	252	96
Other current liabilities	17	14,699	-	10,686	14,586	10,617
Employee entitlements	18	1,795	-	1,490	2,959	2,526
Current tax payable	3 (c)	-	-	-	3,370	4,398
Total current liabilities		**64,314**	**79,472**	**69,546**	**93,198**	**78,211**

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 2019	Notes	Council 2019 $'000	Council Budget $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Non-current liabilities						
Borrowings	15	86,162	111,118	55,263	128,862	112,263
Other financial liabilities	16	5,002	-	2,106	5,579	2,242
Other non-current liabilities	17	11,046	-	11,159	-	-
Deferred tax liabilities	3 (d)	-	-	-	14,674	15,343
Total non-current liabilities		**102,210**	**111,118**	**68,528**	**149,115**	**129,848**
Total liabilities		**166,524**	**190,590**	**138,074**	**242,313**	**208,059**
Net assets		**1,642,100**	**1,222,280**	**1,204,780**	**1,920,874**	**1,475,938**
Equity						
Reserves	19	961,311	573,444	566,925	1,113,931	720,695
Accumulated funds	20	680,789	648,836	637,855	735,937	685,931
Total equity attributable to Council		**1,642,100**	**1,222,280**	**1,204,780**	**1,849,868**	**1,406,626**
Non-controlling interest	21	-	-	-	71,006	69,312
Total equity		**1,642,100**	**1,222,280**	**1,204,780**	**1,920,874**	**1,475,938**
		-	-	-	-	-

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

Jim Boult
Mayor
10 October 2019

Mike Theelen
Chief Executive
10 October 2019

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
For the year ended 30 June 2019									
Balance at 1 July 2018	19/20	527,060	19,656	20,209	-	637,855	1,204,780	-	1,204,780
Total comprehensive revenue and expense for the year	19/20	384,448	-	-	-	52,872	437,320	-	437,320
Transfers from/(to) accumulated funds	19/20	5,841	3,063	1,034	-	(9,938)	-	-	-
Disposals	19/20	-	-	-	-		-	-	-
Balance at 30 June 2019		**917,349**	**22,719**	**21,243**	**-**	**680,789**	**1,642,100**	**-**	**1,642,100**
For the year ended 30 June 2018									
Balance at 1 July 2017	19/20	518,083	15,866	21,260	-	590,748	1,145,957	-	1,145,957
Total comprehensive revenue and expense for the year		7,340	-	-	-	51,483	58,823	-	58,823
Transfers from/(to) accumulated funds	19/20	2,021	3,790	(1,051)	-	(4,760)	-	-	-
Disposals	19/20	(384)	-	-	-	384	-	-	-
Balance at 30 June 2018		**527,060**	**19,656**	**20,209**	**-**	**637,855**	**1,204,780**	**-**	**1,204,780**

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
For the year ended 30 June 2019									
Balance at 1 July 2018	19/20	681,428	19,656	20,209	(598)	685,931	1,406,626	69,312	1,475,938
Total comprehensive revenue and expense for the year	19/20	383,434	-	-	(136)	59,944	443,242	4,101	447,343
Dividends paid	21	-	-	-	-	-	-	(1,796)	(1,796)
Transfers from/(to) accumulated funds	19/20	5,841	3,063	1,034	-	(9,938)	-	(611)	(611)
Disposals	19/20	-	-	-	-	-	-	-	-
Balance at 30 June 2019		**1,070,703**	**22,719**	**21,243**	**(734)**	**735,937**	**1,849,868**	**71,006**	**1,920,874**
For the year ended 30 June 2018									
Balance at 1 July 2017	19/20	647,266	15,866	21,260	(612)	633,091	1,316,871	59,181	1,376,052
Total comprehensive revenue and expense for the year	19/20	32,525	-	-	14	57,216	89,755	11,923	101,678
Dividends paid	21	-	-	-	-	-	-	(1,792)	(1,792)
Transfers from/(to) accumulated funds	19/20	2,021	3,790	(1,051)	-	(4,760)	-	-	-
Disposals	19/20	(384)	-	-	-	384	-	-	-
Balance at 30 June 2018		**681,428**	**19,656**	**20,209**	**(598)**	**685,931**	**1,406,626**	**69,312**	**1,475,938**

Statement of Cash Flows

For the financial year ended 30 June 2019	Notes	Council 2019 $'000	Council Budget $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities						
Receipts from customers		148,643	153,228	146,770	197,653	201,633
Interest received		382	-	414	404	432
Dividends received		5,391	4,958	5,377	-	-
Payments to suppliers and employees		(105,156)	(105,081)	(90,946)	(120,457)	(126,944)
Finance costs paid		(4,398)	(6,742)	(4,533)	(7,308)	(6,318)
Income tax paid		-	-	-	(8,152)	(4,474)
Subvention receipt		-	-	-	-	-
Net GST (payment) /receipt		(735)	-	(332)	(735)	(332)
Net cash inflow/(outflow) from operating activities	**28 (c)**	**44,127**	**46,363**	**56,750**	**61,405**	**63,997**
Cash flows from investing activities						
Purchase of investments		(13,998)	-	(160)	(13,998)	(160)
Sale of other financial assets		-	-	-	-	-
Sale of investments		9,820	-	1,087	9,820	1,087
Sale of investment property		-	-	578	-	578
Sale of development property		-	24,800	-	-	-
Purchase of property, plant and equipment		(47,521)	(114,602)	(48,775)	(68,670)	(59,239)
Purchase of investment property		(11)	-	(299)	(11)	(299)
Purchase of intangible assets		(2,403)	-	(1,524)	(3,425)	(2,333)
Proceeds from sale of property, plant and equipment		2	-	3,268	2	68
Net cash inflow/(outflow) from investing activities		**(54,111)**	**(89,802)**	**(45,825)**	**(76,282)**	**(60,298)**
Cash flows from financing activities						
Proceeds from borrowings		61,035	91,438	10,000	66,735	20,000
Repayment of borrowings		(40,203)	(48,000)	(17,223)	(40,203)	(17,223)
Dividends paid		-	-	-	(1,795)	(1,792)
Net cash inflow /(outflow) from financing activities		**20,832**	**43,438**	**(7,223)**	**24,737**	**985**
Net increase/(decrease) in cash and cash equivalents		10,848	(1)	3,702	9,860	4,684
Cash and cash equivalents at the beginning of the financial year		10,028	337	6,326	11,925	7,241
Cash and cash equivalents at the end of the financial year		**20,876**	**336**	**10,028**	**21,785**	**11,925**
Represented by:						
Cash and cash equivalents		20,876	336	10,028	21,785	11,925
Bank overdraft		-	-	-	-	-
		20,876	**336**	**10,028**	**21,785**	**11,925**

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”).

The Council has controlling interests in Queenstown Events Centre Trust (100% - dormant) and Queenstown Airport Corporation Limited (75.01%). 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 2019. The financial statements were authorised for issue by Council on 10 October 2019.

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

There has been no early adoption of any new Accounting Standards and amendments issued but not yet effective in this financial year.

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:

Employee Benefits
In May 2017 the XRB issued PBE IPSAS 39 Employee Benefits. This incorporates amendments to 31 January 2018. PBE IPSAS 29, when applied, supersedes PBE IPSAS 25 Employee Benefits and is effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

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

Service Performance Reporting
In November 2017 the XRB issued PBE FRS 48 Service Performance Reporting. This standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted.

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

Accounting for Interest in Other Entities
In January 2015 the XRB issued PBE 34 – 38 relating to accounting for interests in other entities. These five standards will replace the current requirements in IPSAS6 - Consolidated and Separate Financial Statements; IPSAS 7 – Investments in Associates; and IPSAS 8 – Interest in Joint Ventures. These new standards are effective for annual periods beginning on or after 1 January 2019. The Council will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

Financial Instruments
The XRB issued PBE IPSAS 41 Financial instruments in March 2019. This standard supersedes PBE IFRS 9 Financial instruments which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The Council has not assessed the effect 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

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.

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 16 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 Held 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.

Campground Assets

- Council owned land and buildings leased as campgrounds and listed as strategic assets in the Significance and Engagement policy.

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 or leased 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 and airport assets 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.

Campground Assets

Campground assets are classified as reserve land and held to earn rentals. Campground assets are stated at fair value using the income capitalisation approach.

Sewer, Stormwater, Water

Sewer, stormwater and water supply assets are stated at valuation which is optimised depreciated replacement cost value as at 30 June 2019 by Aon New Zealand, independent valuers. Acquisitions subsequent to 1 July 2018 are at cost.

Roads, Bridges and Lighting

Roading assets are stated at valuation which is optimised depreciated replacement cost value as at 30 June 2019 by WSP Opus New Zealand Limited, independent valuers. Acquisitions subsequent to 1 July 2018 are at cost.

Airport Land, Buildings, Roading, Carparking and Runways

Airport land holdings, roading and carparking buildings located in Queenstown and held or leased by QAC were independently valued by Seagar & Partners, registered valuers, as at 30 June 2018 to fair value. The Queenstown runway was independently valued by Beca Valuations Limited (Beca), registered valuers, as at 30 June 2018. Wanaka Airport assets held or leased by QAC since 1 April 2018 were independently valued by Jones Lang LaSalle Limited, registered valuers, as at 30 June 2018. 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 machinery	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	1.37% - 10%	SL
Water supply	1.42% - 10%	SL
Stormwater	1.55% - 10%	SL
Roading	1.68% - 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.

Investment properties are derecognised upon disposal. 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. Any associated balance in the revaluation reserve is transferred to accumulated funds via equity.

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 - 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 noncurrent 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 PBE IPSAS 35 Consolidated Financial Statements. A list of subsidiaries appears in note 25 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 Council 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 33.

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 weather-tightness 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 17 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 10 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 2019.

Valuation of Campground Assets

Independent valuations are used to determine the fair value of campground assets. The valuations are determined using the income capitalisation approach based on long term leases.

The significant unobservable inputs are the capitalisation rates of 4% - 6.25%. The higher the capitalisation rates the lower the fair value. Significant changes in these inputs would result in significant changes to the fair value measurement.

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.

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 has 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	
		2019	2018	2019	2018
	Notes	$'000	$'000	$'000	$'000
Revenue from non-exchange transactions consisted of the following items:					
Rates revenue:					
General rates		2,727	2,778	2,722	2,774
Targeted rates		70,717	63,781	70,241	63,405
		73,444	**66,559**	**72,963**	**66,179**
Other revenue:					
User charges - subsidised		5,647	5,434	5,647	5,434
Development contributions		14,054	15,985	14,036	15,963
Grants and subsidies		15,880	12,178	15,880	12,178
Vested assets		36,070	30,684	36,070	30,684
Other revenue		8,415	6,514	8,415	6,357
		80,066	**70,795**	**80,048**	**70,616**

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 2019 $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Revenue from exchange transactions consisted of the following items:					
Other revenue:					
User charges - full cost recovery		31,136	26,870	37,459	31,442
Landing dues		-	-	29,088	26,613
Dividend income		5,391	5,377	-	-
Operating lease rental revenue		-	-	13,838	12,845
Other revenue - full cost recovery		3,321	3,270	3,455	3,963
Finance Income:					
Bank deposits		596	636	618	654
Inland Revenue Department		11	3	11	3
		40,455	**36,156**	**84,469**	**75,520**
Other gains/(losses)					
Gain/(loss) on revaluation of investment property		5,154	2,021	5,154	2,021
Gain/(loss) on disposal of investment property		-	153	-	153
Gain/(loss) on revaluation of property, plant and equipment		-	-	-	(135)
Gain/(loss) on disposal of property, plant and equipment		-	1,159	-	93
Gain/(loss) in fair value of forestry assets		687	-	687	597
Gain/(loss) in fair value of derivative financial instruments classified at fair value through profit or loss		(2,800)	(642)	(2,766)	(614)
		3,041	**2,691**	**3,075**	**2,115**

2. Surplus from Operations continued

		Council		Group	
		2019	2018	2019	2018
	Notes	$'000	$'000	$'000	$'000
(c) Employee benefits expense					
Salaries and wages		30,561	24,513	36,604	30,196
		30,561	**24,513**	**36,604**	**30,196**
(d) Depreciation and amortisation expense					
Depreciation of property, plant and equipment	10	26,883	24,558	34,763	31,896
Amortisation of intangible assets	12	680	590	1,005	1,246
		27,563	**25,148**	**35,768**	**33,142**
(e) Finance costs					
Interest on loans		3,951	3,957	6,894	6,430
		3,951	**3,957**	**6,894**	**6,430**
(f) Other expenses					
Increase/(decrease) in allowance for doubtful debts		277	552	278	583
Bad debts written off		290	266	329	288
Operating lease rental expenses:					
Minimum lease payments		1,485	1,264	1,485	1,264
Legal claims against Council	17	5,099	2,440	5,099	2,440
Operating expenses		74,908	66,578	83,538	72,983
		82,059	**71,100**	**90,729**	**77,558**

2. Surplus from Operations continued

For the financial year ended 30 June 2019	Council 2019 $'000	Council 2018 $'000
(g) Summary cost of services by group of activity (Council only)		
(i) Revenue*		
Local Democracy	5,430	5,413
Community	16,390	21,144
Economy	10,932	5,926
Environment	8,705	7,026
Roading and Parking	26,913	25,962
Water Supply	11,657	8,478
Stormwater	8,463	6,692
Wastewater	15,694	10,697
Regulatory	11,720	9,900
Waste Management	8,536	7,445
Other	(877)	959
Targeted rates	71,370	64,405
General rates	2,727	2,778
Internal rates	(654)	(624)
Total revenue	**197,006**	**176,201**
(ii) Expenditure*		
Local Democracy	3,979	3,954
Community	31,042	26,930
Economy	8,538	7,521
Environment	16,833	13,937
Roading and Parking	23,921	22,143
Water Supply	9,495	9,052
Stormwater	3,212	2,878
Wastewater	14,537	13,204
Regulatory	19,519	14,758
Waste Management	13,385	10,873
Other	327	92
Internal rates	(654)	(624)
Total operating expenditure	**144,134**	**124,718**

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

For the financial year ended 30 June 2019	Council 2019 $'000	Council 2018 $'000
(iii) Depreciation and amortisation expense		
Local Democracy	19	11
Community	4,450	4,340
Economy	8	8
Environment	-	-
Roading and Parking	10,940	9,689
Water Supply	3,351	3,074
Stormwater	2,119	1,945
Wastewater	5,367	5,028
Regulatory	34	24
Waste Management	145	125
Other	1,130	904
Total depreciation and amortisation expense	**27,563**	**25,148**

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Tax expense/(income) comprises:				
Current tax expense/(credit):				
Current year	-	-	7,064	6,651
Adjustments for prior years	-	-	23	16
	-	**-**	**7,087**	**6,667**
Deferred tax expense/(credit):				
Origination and reversal of temporary differences	-	-	(482)	(530)
Amortisation of tax component of derivatives	-	-	(124)	(119)
Adjustments for prior years	-	-	7	(13)
	-	**-**	**(599)**	**(662)**
Total tax expense/(income)	**-**	**-**	**6,488**	**6,005**

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

	Council 2019 $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Surplus /(deficit) before income tax	52,872	51,483	70,560	67,104
Income tax expense calculated at 28%	14,804	14,415	19,757	18,789
Non assessable income and expenses	(14,804)	(14,415)	(13,125)	(12,787)
Reversal of temporary difference	-	-	(20)	122
Amortisation of tax component of derivatives	-	-	(124)	(119)
Income tax expense/(credit)	**-**	**-**	**6,488**	**6,005**

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2018: 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 $194k (2018: $112k charge) has been credited to other comprehensive income during the year, relating to the fair value movement of derivative financial instruments for Queenstown Airport Corporation. No Deferred tax (2018: $0.9m) was charged to other comprehensive income relating to the revaluation of fixed assets and the fair value movement in interest rate swaps and foreign exchange forward contracts.

(c) Current tax assets and liabilities

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current tax payable:				
Current tax payable	-	-	3,370	4,398

(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
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross deferred tax asset/(liability):					
Property, plant and equipment	(14,889)	466	-	-	(14,423)
Intangible assets	(442)	91	-	-	(351)
Employee entitlements	125	8	-	-	133
Derivatives	40	-	194	-	234
Trade and other payables	(177)	(90)	-	-	(267)
Gross deferred tax asset/(liability)	**(15,343)**	**475**	**194**	**-**	**(14,674)**

	Group				
	Opening balance	Charged to income	Charged to other comprehensive income	Transferred to provision for tax	Closing balance
2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross deferred tax asset/(liability):					
Property, plant and equipment	(14,296)	312	(905)	-	(14,889)
Intangible assets	(626)	184	-	-	(442)
Employee entitlements	103	22	-	-	125
Derivatives	(72)	-	112	-	40
Trade and other payables	(189)	12	-	-	(177)
Gross deferred tax asset/(liability)	**(15,080)**	**530**	**(793)**	**-**	**(15,343)**

3. Income Taxes continued

(e) Imputation Credit Account Balances

	Council		Group	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	589	589	18,809	14,932
Taxation paid	-	-	7,080	6,665
Imputation credits on dividends paid	-	-	(2,795)	(2,788)
Refund of tax	-	-	-	-
Balance at end of year	**589**	**589**	**23,094**	**18,809**
Imputation credits available directly and indirectly to Council through:				
Council	589	589	589	589
Subsidiaries	-	-	22,505	18,220
	589	**589**	**23,094**	**18,809**

4. Key Management Personnel Compensation

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Councillors				
Remuneration	552	526	552	526
Full-time equivalent members	15	15	15	15
Senior Management Team, including Chief Executive				
Remuneration	1,470	1,407	3,140	2,881
Full-time equivalent members	6	6	12	11
Directors' fees	-	-	271	271
	2,022	**1,933**	**3,963**	**3,678**

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Audit fees for financial statement audit	186	180	251	243
Audit of long term plan	20	145	20	145
Audit fees for assurance and related services	7	7	33	33
Fees for tax services	-	-	-	-
Fees for other services	-	-	12	-
	213	**332**	**316**	**421**

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

6. Trade and Other Receivables

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
From non-exchange transactions				
Trade receivables (i)	1,559	677	1,559	677
Infringement receivables (i)	2,257	1,869	2,257	1,869
Rates receivables (i)	3,540	3,327	3,540	3,327
New Zealand Transport Agency	1,651	1,522	1,651	1,522
Other (i)	302	134	302	134
Allowance for doubtful debts (ii)	(1,781)	(1,572)	(1,781)	(1,572)
	7,528	**5,957**	**7,528**	**5,957**
From exchange transactions				
Trade receivables (i)	6,226	4,064	10,130	7,854
Other (i)	5,873	5,472	5,873	5,472
Allowance for doubtful debts (ii)	(311)	(314)	(358)	(360)
	11,788	**9,222**	**15,645**	**12,966**
	19,316	**15,179**	**23,173**	**18,923**

(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)	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current (0-30 days)	13,828	10,102	16,535	12,951
31-60 days *	464	511	1,529	1,106
61-90 days *	323	317	398	564
90 days + *	1,161	980	1,190	1,033
	15,776	**11,910**	**19,652**	**15,654**
Rates receivables				
Current (0-30 days)	1,366	1,069	1,366	1,069
31 days - 1 year *	1,059	931	1,059	931
1 year + *	1,115	1,269	1,115	1,269
	3,540	**3,269**	**3,540**	**3,269**
Total receivables	**19,316**	**15,179**	**23,192**	**18,923**

* Amounts are considered past due.

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Disclosed in the financial statements as:				
Current				
Exchange transactions	11,788	9,222	15,645	12,966
Non-exchange transactions	7,528	5,957	7,528	5,957
Non-current	-	-	-	-
	19,316	**15,179**	**23,173**	**18,923**
(iii) Movement in the allowance for doubtful debts:				
Balance at beginning of year	(1,886)	(1,508)	(1,932)	(1,523)
Amounts written off during year	460	577	460	577
Amounts recovered during year	-	-	-	-
Additional allowance recognised in Statement of Financial Performance	(666)	(955)	(667)	(986)
Balance at end of year	**(2,092)**	**(1,886)**	**(2,139)**	**(1,932)**

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other investments held	1,408	1,248	1,408	1,248
Advances to community organisations	459	459	459	459
Term deposits	-	9,500	-	9,500
Short term investments	13	13	13	13
	1,880	**11,220**	**1,880**	**11,220**
Represented by:				
Current	13	9,513	13	9,513
Non-current	1,867	1,707	1,867	1,707
	1,880	**11,220**	**1,880**	**11,220**

8. Other Current Assets

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Prepayments	912	797	1,263	1,703
Asset Held for Resale	1,237	-	1,237	-
	2,149	**797**	**2,500**	**1,703**

9. Development Property

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Land	11,266	12,503	11,266	12,503
	11,266	**12,503**	**11,266**	**12,503**
Balance at end of year	**11,266**	**12,503**	**11,266**	**12,503**

The Council owned Lakeview site is being developed for future sale and lease arrangements following the decision to no longer pursue the convention centre proposal for the site. The development process is still underway with further land parcels expected to be transferred from investment property to development property within the next two years.

10. Property, Plant and Equipment

Council 2019

	Cost/ valuation 1-Jul-18 $'000s	Additions $'000s	Revaluations $'000s	Cost/ valuation 30-Jun-19 $'000s	Accumulated depreciation and impairment charges 1-Jul-18 $'000s	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense $'000s	Accumulated depreciation and impairment charges 30-Jun-19 $'000s	Carrying amount 30-Jun-19 $'000s
Operational assets									
At cost									
Land (i)	81,806	2,895	-	84,701	-		-	-	84,701
Buildings	80,868	6,651	-	87,519	(15,500)		(1,892)	(17,392)	70,127
Building improvements	39,441	9,045	-	48,486	(22,249)		(2,018)	(24,267)	24,219
Plant and machinery	11,481	894	-	12,375	(6,420)		(789)	(7,209)	5,166
Motor vehicles	285	12	-	297	(220)		(10)	(230)	67
Furniture and office equipment	5,990	1,297	-	7,287	(4,502)		(281)	(4,783)	2,504
Computer equipment	3,864	245	-	4,109	(3,169)		(285)	(3,454)	655
Library books	4,315	328	-	4,643	(4,067)		(25)	(4,092)	551
Total operational assets	**228,050**	**21,367**	**-**	**249,417**	**(56,127)**		**(5,300)**	**(61,427)**	**187,990**
Campground assets									
At fair value									
Land (vi)	34,700	-	1,225	35,925	-		-	-	35,925
Buildings (vi)	8,450	-	3,125	11,575	-		-	-	11,575
Total campground assets	**43,150**	**-**	**4,350**	**47,500**	**-**		**-**	**-**	**47,500**
Airport assets									
At fair value									
Land (i)	5,250	-	-	5,250	-		-	-	5,250
Airport runway (i)	6,685	-	-	6,685	-		-	-	6,685
	11,935	**-**	**-**	**11,935**	**-**		**-**	**-**	**11,935**
Infrastructural assets									
At fair value									
Water supply (ii)	160,943	18,755	62,915	242,613	(5,944)	9,280	(3,351)	(15)	242,598
Sewerage (ii)	210,399	21,792	100,835	333,026	(8,664)	13,990	(5,371)	(45)	332,981
Stormwater (ii)	135,113	13,394	112,093	260,600	(3,822)	5,937	(2,118)	(3)	260,597
Roading (iii)	534,810	19,896	46,218	600,924	(18,198)	28,909	(10,743)	(32)	600,892
Total infrastructural assets	**1,041,265**	**73,837**	**322,061**	**1,437,163**	**(36,628)**	**58,116**	**(21,583)**	**(95)**	**1,437,068**
Total Council property, plant and equipment	**1,324,400**	**95,204**	**326,411**	**1,746,015**	**(92,755)**	**58,116**	**(26,883)**	**(61,522)**	**1,684,493**

(i), (ii), (iii), (vi) refer to explanatory notes on page 150.

10. Property, Plant and Equipment

Group 2019

	Cost/ valuation 1-Jul-18 $'000s	Additions $'000s	Transfers	Revaluation	Cost/ valuation 30-Jun-19 $'000s	Accumulated depreciation and impairment charges 1-Jul-18 $'000s	Accumulated depreciation and impairment charges reversed	Depreciation expense $'000s	Accumulated depreciation and impairment charges 30-Jun-19 $'000s	Carrying amount 30-Jun-19 $'000s
Operational sssets										
At cost										
Land (i)	81,806	2,895	-	-	84,701	-	-	-	-	84,701
Buildings	80,868	6,651	-	-	87,519	(15,500)	-	(1,892)	(17,392)	70,127
Building improvements	39,441	9,045	-	-	48,486	(22,249)	-	(2,018)	(24,267)	24,219
Plant and machinery	21,928	4,265	27,415	-	53,608	(11,786)	(4,886)	(3,645)	(20,317)	33,291
Motor vehicles	4,167	12	(3,882)	-	297	(1,995)	1,775	(10)	(230)	67
Furniture and office equipment	11,697	1,297	(5,707)	-	7,287	(7,613)	3,111	(281)	(4,783)	2,504
Computer equipment	3,864	245	-	-	4,109	(3,169)	-	(285)	(3,454)	655
Library books	4,316	328	-	-	4,644	(4,068)	-	(25)	(4,093)	551
Total operational assets	**248,087**	**24,738**	**17,826**	**-**	**290,651**	**(66,380)**	**-**	**(8,156)**	**(74,536)**	**216,115**
Campground assets										
At fair value										
Land (vi)	34,700	-	-	1,225	35,925	-	-	-		35,925
Buildings (vi)	8,450	-	-	3,125	11,575	-	-	-		11,575
Total campground assets	**43,150**	**-**	**-**	**4,350**	**47,500**	**-**	**-**	**-**	**-**	**47,500**
Airport assets										
At fair value										
Land (i), (iv)	212,245	3,409		-	215,654	-			-	215,654
Land improvements (iv)	10,838		(10,713)	-	125	(125)			(125)	-
Buildings (iv), (v)	54,694	8,905	121		63,720	(2,772)		(2,760)	(5,532)	58,188
Airport runways,Taxiways & Aprons (i), (iv)	46,911	6,876	10,591		64,378	(1,802)		(2,265)	(4,067)	60,311
Roading and carparking (iv), (v)	18,937		(17,825)	-	1,112	(1,112)		-	(1,112)	-
Total airport assets	**343,625**	**19,190**	**(17,826)**	**-**	**344,989**	**(5,811)**	**-**	**(5,025)**	**(10,836)**	**334,153**
Infrastructural assets										
At fair value										
Water supply (ii)	160,943	18,755	-	62,915	242,613	(5,944)	9,280	(3,350)	(14)	242,599
Sewerage (ii)	210,401	21,792	-	100,835	333,028	(8,664)	13,990	(5,371)	(45)	332,983
Stormwater (ii)	135,112	13,394	-	112,093	260,599	(3,822)	5,937	(2,118)	(3)	260,596
Roading (iii)	534,809	19,896	-	46,218	600,923	(18,198)	28,909	(10,743)	(32)	600,891
Total infrastructural assets	**1,041,265**	**73,837**	**-**	**322,061**	**1,437,163**	**(36,628)**	**58,116**	**(21,582)**	**(94)**	**1,437,069**
Total property, plant and equipment	**1,676,127**	**117,765**	**-**	**326,411**	**2,120,303**	**(108,819)**	**58,116**	**(34,763)**	**(85,466)**	**2,034,837**

(i), (ii), (iii), (iv), (v), (vi) refer to explanatory notes on page 150.

10. Property, Plant and Equipment

Council 2018

	Cost/ valuation 1-Jul-17 $'000s	Additions $'000s	Disposals/ write offs $'000s	Transfers $'000s	Revaluations $'000s	Cost/ valuation 30-Jun-18 $'000s	Accumulated depreciation and impairment charges 1-Jul-17 $'000s	Depreciation expense $'000s	Accumulated depreciation reversed on disposal $'000s	Accumulated depreciation and impairment charges 30-Jun-18 $'000s	Carrying amount 30-Jun-18 $'000s
Operational assets											
At cost											
Land (i)	77,715	6,081	(245)	(1,745)	-	81,806	-	-	-	-	81,806
Buildings	70,830	10,784	(746)	-	-	80,868	(14,072)	(1,539)	111	(15,500)	65,368
Building improvements	39,287	2,092	(1,938)	-	-	39,441	(21,166)	(1,958)	875	(22,249)	17,192
Plant and machinery	11,087	656	(262)	-	-	11,481	(5,822)	(749)	151	(6,420)	5,061
Motor vehicles	371	26	(112)	-	-	285	(264)	(20)	64	(220)	65
Furniture and office equipment	5,447	543	-	-	-	5,990	(4,291)	(211)	-	(4,502)	1,488
Computer equipment	3,509	369	(14)	-	-	3,864	(2,930)	(246)	7	(3,169)	695
Library books	4,068	247	-	-	-	4,315	(3,813)	(254)	-	(4,067)	248
Total operational assets	**212,314**	**20,798**	**(3,317)**	**(1,745)**	**-**	**228,050**	**(52,358)**	**(4,977)**	**1,208**	**(56,127)**	**171,923**
Campground assets											
At fair value											
Land (vi)	38,325	-	-	-	(3,625)	34,700	-	-	-	-	34,700
Buildings (vi)	7,675	-	-	-	775	8,450	-	-	-	-	8,450
Total campground assets	**46,000**	**-**	**-**	**-**	**(2,850)**	**43,150**	**-**	**-**	**-**	**-**	**43,150**
Airport assets											
At fair value											
Land (i)	-	-	-	1,001	4,249	5,250	-	-	-	-	5,250
Airport runway (i)	-	-	-	744	5,941	6,685	-	-	-	-	6,685
	-	**-**	**-**	**1,745**	**10,190**	**11,935**	**-**	**-**	**-**	**-**	**11,935**
Infrastructural assets											
At fair value											
Water supply (ii)	147,485	13,458	-	-	-	160,943	(2,871)	(3,073)	-	(5,944)	154,999
Sewerage (ii)	194,590	15,809	-	-	-	210,399	(3,636)	(5,028)	-	(8,664)	201,735
Stormwater (ii)	126,082	9,031	-	-	-	135,113	(1,877)	(1,945)	-	(3,822)	131,291
Roading (iii)	512,010	22,800	-	-	-	534,810	(8,663)	(9,535)	-	(18,198)	516,612
Total infrastructural assets	**980,167**	**61,098**	**-**	**-**	**-**	**1,041,265**	**(17,047)**	**(19,581)**	**-**	**(36,628)**	**1,004,637**
Total Council property, plant and equipment	**1,238,481**	**81,896**	**(3,317)**	**-**	**7,340**	**1,324,400**	**(69,405)**	**(24,558)**	**1,208**	**(92,755)**	**1,231,645**

(i), (ii), (iii), (vi) refer to explanatory notes on page 150.

10. Property, Plant and Equipment

Group 2018

	Cost/ valuation 1-Jul-17 $'000s	Additions $'000s	Disposals/ write offs $'000s	Other	Transfers	Revaluation	Cost/ valuation 30-Jun-18 $'000s	Accumulated depreciation and impairment charges 1-Jul-17 $'000s	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense $'000s	Accumulated depreciation reversed on disposal $'000s	Accumulated depreciation and impairment charges 30-Jun-18 $'000s	Carrying amount 30-Jun-18 $'000s
Operational sssets													
At cost													
Land [i]	77,715	6,081	(245)	-	(1,745)	-	81,806	-	-	-	-	-	81,806
Buildings	70,830	10,784	(746)	-	-	-	80,868	(14,072)	-	(1,539)	111	(15,500)	65,368
Building improvements	39,287	2,092	(1,938)	-	-	-	39,441	(21,166)	-	(1,958)	875	(22,249)	17,192
Plant and machinery	19,567	2,623	(262)	-	-	-	21,928	(10,293)	-	(1,644)	151	(11,786)	10,142
Motor vehicles	3,061	1,218	(112)	-	-	-	4,167	(1,843)	-	(216)	64	(1,995)	2,172
Furniture and office equipment	10,771	972	-	(46)	-	-	11,697	(7,013)	46	(646)	-	(7,613)	4,084
Computer equipment	3,509	369	(14)	-	-	-	3,864	(2,930)	-	(246)	7	(3,169)	695
Library books	4,069	247	-	-	-	-	4,316	(3,814)	-	(254)	-	(4,068)	248
Total operational assets	**228,809**	**24,386**	**(3,317)**	**(46)**	**(1,745)**	**-**	**248,087**	**(61,131)**	**46**	**(6,503)**	**1,208**	**(66,380)**	**181,707**
Campground assets													
At fair value													
Land [vi]	38,325	-	-	-	-	(3,625)	34,700	-	-	-	-		34,700
Buildings [vi]	7,675	-	-	-	-	775	8,450	-	-	-	-		8,450
Total campground assets	**46,000**	**-**	**-**	**-**	**-**	**(2,850)**	**43,150**	**-**	**-**	**-**	**-**	**-**	**43,150**
Airport assets													
At fair value													
Land [i], [iv]	175,067	2,104	-	-	1,001	34,074	212,246	-	-	(29)	-	(29)	212,217
Land improvements [iv]	10,696	138	-	(139)	-	143	10,838	(139)	139	(125)	-	(125)	10,713
Buildings [iv], [v]	52,904	2,779	-	(2,724)	-	1,735	54,694	(2,726)	2,726	(2,772)	-	(2,772)	51,922
Airport runways [i], [iv]	38,593	2,534	-	(1,695)	744	6,735	46,911	(1,695)	1,695	(1,774)	-	(1,774)	45,137
Roading and carparking [iv], [v]	17,876	1,018	-	(384)	-	427	18,937	(852)	852	(1,112)	-	(1,112)	17,825
Total airport assets	**295,136**	**8,573**	**-**	**(4,942)**	**1,745**	**43,114**	**343,626**	**(5,412)**	**5,412**	**(5,812)**	**-**	**(5,812)**	**337,814**
Infrastructural assets													
At fair value													
Water supply [ii]	147,485	13,458	-	-	-	-	160,943	(2,871)	-	(3,073)	-	(5,944)	154,999
Sewerage [ii]	194,592	15,809	-	-	-	-	210,401	(3,636)	-	(5,028)	-	(8,664)	201,737
Stormwater [ii]	126,081	9,031	-	-	-	-	135,112	(1,877)	-	(1,945)	-	(3,822)	131,290
Roading [iii]	512,009	22,800	-	-	-	-	534,809	(8,663)	-	(9,535)	-	(18,198)	516,611
Total infrastructural assets	**980,167**	**61,098**	**-**	**-**	**-**	**-**	**1,041,265**	**(17,047)**	**-**	**(19,581)**	**-**	**(36,628)**	**1,004,637**
Total property, plant and equipment	**1,550,112**	**94,057**	**(3,317)**	**(4,988)**	**-**	**40,264**	**1,676,128**	**(83,590)**	**5,458**	**(31,896)**	**1,208**	**(108,820)**	**1,567,308**

(i), (ii), (iii), (iv), (v), (vi) refer to explanatory notes on page 150.

10. Property, Plant and Equipment continued

Explanatory notes

(i) Wanaka airport land, including the runway, was leased to QAC by QLDC from 1 April 2018. These assets were reclassified from land at cost to airport assets at fair value and were revalued as at 30 June 2018 as set out below. The valuation was performed by Jones Lang LaSalle.
(ii) Sewer, stormwater and water supply assets are stated at valuation which is optimised depreciated replacement cost value as at 30 June 2019 by Aon New Zealand, independent valuers. Acquisitions subsequent to 1 July 2018 are at cost.
(iii) Roading assets are stated at valuation which is optimised depreciated replacement cost value as at 30 June 2019 by WSP Opus New Zealand Limited, independent valuers. Acquisitions subsequent to 1 July 2018 are at cost.
(iv) Airport assets held by QAC were revalued as at 30 June 2018 as set out below. The runways, taxiways and aprons were independently valued by Beca Valuations Limited. Land, buildings, roading and carparking asses were valued by Seagar and Partners.
(v) Wanaka airport buildings owned by QAC were revalued as at 30 June 2018 as set out below. The valuation was performed by Jones Lang LaSalle.
(vi) Campground assets are strategic assets and have been reclassified from Investment Property as at 1 July 2016 and are stated at fair value using the income capitalisation approach. The valuation was performed by Quotable Value Limited and were revalued as at 30 June 2019.

Asset	Valuation Approach
Terminal and fire rescue buildings	Optimised depreciated replacement cost
Runways, taxiways 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 2019 $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Land	1,408	8	6,373	4,719
Buildings	7,375	2,144	15,557	2,601
Building Improvements	1,799	1,955	1,799	1,955
Plant and equipment	97	-	2,211	350
Computer equipment	-	-	-	-
Furniture and office equipment	-	-	-	-
Library books	24	-	24	-
Airport runway	-	-	517	169
Water supply	9,482	3,456	9,482	3,456
Sewerage	9,741	7,423	9,741	7,423
Stormwater	5,567	993	5,567	993
Roading & carparking	8,800	5,157	8,800	5,157
Foreshore Structures	162	-	162	-
	44,455	**21,136**	**60,233**	**26,823**

11. Forestry Assets

	Council 2019 $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Balance at beginning of year	-	-	2,446	1,849
Recognise value of asset on transfer to Council	2,446	-	-	-
Gains/(losses) arising from changes in fair value less estimated point of sales costs	(295)	-	(295)	597
Balance at end of year	**2,151**	**-**	**2,151**	**2,446**

During 2018/19 Council purchased the remaining 25% in the Lakes Combined AfforestationCommittee; it now owns 100% of 172.5 hectares of Douglas Fir forest which are at varying stages of maturity ranging from 21 to 32 years of age.

No forests have been harvested during the period (2018: nil).

Independent registered valuers, Venture Forestry limited, have valued forestry assets at $2,151,000 (2018: $2,446,000). 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 intends to commence an early harvest of the forest during 2019/20 following consultation with the community. The intention of the early harvest is to manage the impact of wilding pines in the local vicinity.

12. Intangible Assets

Finite life intangible assets

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at beginning of year	6,167	4,651	10,998	8,597
Additions	1,776	1,531	3,460	2,416
Transfer to property, plant and equipment	-	-	-	-
Disposals	-	(15)	-	(15)
Balance at end of year	**7,943**	**6,167**	**14,458**	**10,998**
Accumulated amortisation & impairment				
Balance at beginning of year	4,560	3,978	6,237	4,999
Amortisation expense (i)	680	590	1,005	1,246
Transfer to property, plant and equipment	-	-	-	-
Disposals	-	(8)	-	(8)
Balance at end of year	**5,240**	**4,560**	**7,242**	**6,237**
Net book value	**2,703**	**1,607**	**7,217**	**4,761**

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

The gross carrying amount of $14,458,000 for the Group comprises:

- The finite life intangible asset of $7,943,000 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 $4,514,000 represents costs incurred by the Queenstown Airport Corporation Limited in relation to district planning processes for extension of noise boundaries and amendments to flight fans. These costs will be amortised on a straight line basis over 6-9 years and 15 years respectively from the date they are completed and ready to use.

13. Investment Property

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at beginning of year (i)	53,162	63,770	53,162	63,770
Additions from subsequent expenditure	11	299	11	299
Sale of property	-	(425)	-	(425)
Reclassified to development property (note 9)	-	(12,503)	-	(12,503)
Net gain/(loss) from fair value adjustments	5,152	2,021	5,152	2,021
Balance at end of year	**58,325**	**53,162**	**58,325**	**53,162**

The fair value of the Council's investment property at 30 June 2019 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 Quotable Value Limited not related to the Group. The fair value of investment property is calculated on the basis of market value. Market value is determined by reference to comparative sales. The valuations include adjustments to observable data for similar properties to take into account property-specific attributes.

Quotable Value Limited is an experienced valuation firm with extensive market knowledge in the types of investment properties owned by the Council.

14. Trade and Other Payables

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables (i)	14,303	11,907	15,935	13,442
Other accrued charges	7,808	9,716	10,387	11,481
Deposits and bonds	5,573	5,448	5,573	5,448
	27,684	**27,071**	**31,895**	**30,371**

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

15. Borrowings

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
At amortised cost				
Bank borrowings (secured) (i), (ii)	-	-	62,700	57,000
Bonds (secured) (i), (iv)	106,298	85,446	106,298	85,446
Other borrowings (iii)	-	20	-	20
	106,298	**85,466**	**168,998**	**142,466**
Disclosed in the financial statements as:				
Current	20,136	30,203	40,136	30,203
Non-current	86,162	55,263	128,862	112,263
	106,298	**85,466**	**168,998**	**142,466**

(i) Council borrowings are secured through a debenture trust deed over rates, as well as security stock certificates of $211.6m (2018: $164m). No bank borrowings were drawn down as at 30 June 2019 (2018: nil).

(ii) Queenstown Airport Corporation Ltd (QAC) loans of $62.7m are secured by a first debenture charge over QAC assets and also a registered first mortgage over all QAC property.

(iii) The Council has 3 interest free loans from the Housing Infrastructure Fund through the Crown which are repayable within 10 years. The balance outstanding at 30 June 2018 was $1.03m.

(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.

During the 2016/17 year there was one bond issue of $10m with a maturity date of 15/3/2026 and an interest rate of 2.92%.

During the 2017/18 year there was one bond issue of $10m with a maturity date of 16/7/2018 and an interest rate of 2.12%.

During the 2018/19 year there were four bond issues of $10m and one of $20m with maturity dates of 5/2/2019, 8/8/2024, 15/4/2023, 15/4/2024 and 18/10/2019 and interest rates of 2.03%, 2.51%, 1.93%, 2.17%, and 1.88% 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 2019, NZLGFA had borrowings totalling $9,531m (2018: $8,272m).

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.

16. Other Financial Liabilities

	Council		Group	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Interest rate swaps (i), (ii)	5,002	2,202	5,819	2,311
Foreign exchange forward contracts (iii)	-	-	12	27
	5,002	**2,202**	**5,831**	**2,338**
Disclosed in the financial statements as:				
Current	-	96	252	96
Non-current	5,002	2,106	5,579	2,242
	5,002	**2,202**	**5,831**	**2,338**

(i) The Council holds four interest rate swap agreements, one for $15m and three for $10m, which are effective from 16 March 2015, 11 December 2013, 11 December 2018 and 15 March 2019 (2018: four interest rate swap agreements, one for $15m and three for $10m, which are effective from 16 March 2015, 11 December 2013, 11 December 2018 and 15 March 2019). The interest rate is fixed at 4.355%, 3.955%, 2.584% and 3.1875% respectively (2018: 4.355%, 3.955%, 3.595% and 3.1875% respectively).

(ii) QAC holds four interest rate swap agreements, one for $2.5m, one for $5m and one for $10m, which are all effective from 15 June 2016 and one for $8m, which is effective from 29 March 2019 .(2018: 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 2.008%-2.623% (2018: 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.

(iii) The notional principal amounts of outstanding forward foreign exchange contracts held by QAC were $12k.

17. Other Liabilities

	Council		Group	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Income in advance (i)	15,069	15,348	3,910	4,120
Rates in advance	576	497	576	497
Other provisions (ii)	10,100	6,000	10,100	6,000
Other liabilities	-	-	-	-
	25,745	**21,845**	**14,586**	**10,617**
Disclosed in the financial statements as:				
Current	14,699	10,686	14,586	10,617
Non-current	11,046	11,159	-	-
	25,745	**21,845**	**14,586**	**10,617**

(i) Income in advance consists of lease income in advance (including Wanaka Airport prepaid lease by QAC), 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.

18. Employee Entitlements

	Council		Group	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Accrued salary and wages	630	505	1,318	1,094
Annual leave	1,165	985	1,641	1,432
	1,795	**1,490**	**2,959**	**2,526**
Disclosed in the financial statements as:				
Current	1,795	1,490	2,959	2,526
	1,795	**1,490**	**2,959**	**2,526**

19. Reserves

	Council		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revaluation reserve (a)	917,349	527,060	1,070,703	681,428
Operating reserves (b)	22,719	19,656	22,719	19,656
Capital reserves (c)	21,243	20,209	21,243	20,209
Cash flow hedge reserve (d)	-	-	(734)	(598)
	961,311	**566,925**	**1,113,931**	**720,695**

This note contains the portion of reserves attributable to Council. Refer to note 21 for the movement of reserves at a Group level that are attributable to the non-controlling interest.

(a) Revaluation reserve

	Council		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	527,060	518,083	681,428	647,266
Revaluation of roading assets	75,124	-	75,124	-
Revaluation of sewerage assets	114,821	-	114,821	-
Revaluation of water supply assets	72,197	-	72,197	-
Revaluation of stormwater assets	118,029	-	118,029	-
Revaluation of campground assets	4,277	(2,850)	4,277	(2,850)
Revaluation of forestry assets	687	-	687	-
Revaluation of airport assets, net of deferred tax	-	10,190	(1,014)	35,375
Transferred from/(to) accumulated surplus:				
Revaluation of investment property	5,154	2,021	5,154	2,021
Disposal of investment property	-	(384)	-	(384)
Balance at end of year	**917,349**	**527,060**	**1,070,703**	**681,428**

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Individual reserve balances are as follows:				
Investment property	71,981	66,828	71,981	66,828
Campground assets	36,103	31,826	36,103	31,826
Forestry Assets	687	-	687	-
Roading	233,264	158,140	233,264	158,140
Sewerage	202,144	87,322	202,144	87,322
Water supply	157,584	85,387	157,584	85,387
Stormwater	205,396	87,367	205,396	87,367
Airport assets	10,190	10,190	163,544	164,558
	917,349	**527,060**	**1,070,703**	**681,428**

(b) Operating reserves

	Council		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	19,656	15,866	19,656	15,866
Transferred from/(to) accumulated surplus:				
Contributions	14,060	16,189	14,060	16,189
Disbursements	(10,997)	(12,399)	(10,997)	(12,399)
Balance at end of year	**22,719**	**19,656**	**22,719**	**19,656**

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	20,209	21,260	20,209	21,260
Transferred from/(to) accumulated surplus:				
Contributions	18,998	18,991	18,998	18,991
Disbursements	(17,964)	(20,042)	(17,964)	(20,042)
Balance at end of year	**21,243**	**20,209**	**21,243**	**20,209**

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	-	-	(598)	(612)
Gain/(loss) recognised on cash flow hedges:				
Interest rate swaps	-	-	(532)	(262)
Forward foreign exchange contracts	-	-	11	(38)
Realised losses transferred to Statement of Financial Performance	-	-	239	230
Income tax related to gains/losses recognised in other comprehensive income	-	-	146	84
Balance at end of year	**-**	**-**	**(734)**	**(598)**

19. Reserves continued

(e) Reserve funds held for a specific purpose

	Opening Balance 1 July 2018 $'000	Deposits $'000	Withdrawals $'000	Closing Balance 30 June 2019 $'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	19,656	14,060	10,997	22,719
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.	2,732	12,936	11,823	3,845
Transport improvement fund Funds set aside to subsidise public transport and the development of public transport infrastructure.	1,402	671	443	1,630
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.	10,355	-	-	10,355
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.	1,767	5,391	4,958	2,200
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	**39,865**	**33,058**	**28,961**	**43,962**
QAC cash flow hedge reserve	(598)	394	530	(734)
Total Council reserve funds	**39,267**	**33,452**	**29,491**	**43,228**

20. Accumulated Funds

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at beginning of year	637,855	590,748	685,931	633,091
Net surplus	52,872	51,483	59,944	57,216
Transfers from/(to) reserves:				
Revaluation reserve	(5,841)	(1,637)	(5,841)	(1,637)
Operating reserves	(3,063)	(3,790)	(3,063)	(3,790)
Capital reserves	(1,034)	1,051	(1,034)	1,051
Balance at end of year	**680,789**	**637,855**	**735,937**	**685,931**

21. Non-Controlling Interest

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	69,312	59,181
Share of surplus for year	-	-	4,128	3,883
Coronet Forest 25% buyout			(611)	
Dividends paid	-	-	(1,796)	(1,792)
Share of other comprehensive income	-	-	(27)	8,040
Balance at end of year	**-**	**-**	**71,006**	**69,312**

22. Commitments for Expenditure

(a) Capital expenditure commitments

	Council		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Queenstown Lakes District Council (i)	25,521	10,396	25,521	10,396
Queenstown Airport Corporation Limited	-	-	4,634	7,349
Balance at end of year	**25,521**	**10,396**	**30,155**	**17,745**

(i) A significant amount of the councils 2018/19 programme of works has been deferred to later years. Reasons include the 3 Waters programme new bundled package approach to delivery; major Roading projects in various stages of NZTA approval; and the Project Manawa (New Council Office and Civic Heart) project has involved working through a new joint venture agreement.

Capital expenditure commitments for QAC are for the acquisition of Property, Plant and Equipment

(b) Lease commitments

No finance lease liabilities exist. Non-cancellable operating lease commitments are disclosed in note 24 to the financial statements.

23. Contingent Liabilities and Contingent Assets

Council

(a) Legal claims

Refer to note 17 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. The court has directed that the trial be staged. The first stage will be a 6 month hearing commencing in April 2020, to determine whether shadow clad is inherently defective. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

During the year, a group of homeowners initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadow clad plywood cladding sheets manufactured and distributed by CHH. CHH has joined 19 Councils as co-defendants in this claim. At present, there is still 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 15 (iv) for further details.

Queenstown Airport Corporation Limited

(c) Noise mitigation

QAC has implemented a programme of works to assist homeowners living in the inner and mid noise boundaries to mitigate the effects of aircraft sound exposure. .

Inner Noise Mitigation

As at 30 June 2019, QAC had started inner noise mitigation on 13 properties (3 are owned by the Company), at a total cost of $1,188,000. The cost to complete the 6 properties that have since accepted is $618,000, which has been disclosed as a capital commitment in Note 22.

Mid Noise Mitigation

Prior to 30 June 2019 the Company had made a commitment to proivde noise mitigation works (mechanical ventilation) to 84 properties. As at 30 June 2019, 51 homeowners had replied and requested to proceed wiht design prior to determining whether to accept the offers.

24. 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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Not longer than 1 year	1,369	1,215	1,470	1,314
Longer than 1 year and not longer than 5 years	2,718	1,998	2,763	2,067
Longer than 5 years	1,001	635	1,001	635
Balance at end of year	**5,088**	**3,848**	**5,234**	**4,016**

(c) Non-cancellable operating lease receipts

	Council		Group	
	$'000	**$'000**	**$'000**	**$'000**
Not longer than 1 year	4,268	4,454	12,434	13,287
Longer than 1 year and not longer than 5 years	11,145	8,324	25,335	23,297
Longer than 5 years	30,504	33,680	33,457	35,772
Balance at end of year	**45,917**	**46,458**	**71,226**	**72,356**

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

	Council		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Queenstown Airport Corporation Limited	5,412	5,412	-	-
Lakes Combined Afforestation Committee	-	838	-	-
	5,412	**6,250**	**-**	**-**

		Ownership interest		
	Country of incorporation	2019 %	2018 %	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 (iii)	Not incorporated	N/A	75%	Forestry
Queenstown Events Centre Trust (iv)	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 22 August 2018 a final dividend for the year ended 30 June 2018 of $0.3852 per share (total dividend $6,186,386) was paid to holders of fully paid ordinary shares. QLDC's share of this dividend was $4,640,408.
On 15 February 2019 an interim dividend for the year ended 30 June 2019 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) During 2018/19 Council purchased the remaining 25% in the Lakes Combined Afforestation Committee from the Central Otago District Council.

(iv) 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.

26. Subsequent Events

Queenstown Airport Corporation Ltd (QAC)

On 20 August 2019 the QAC Board resolved to pay a final dividend for the year ended 30 June 2019 of $0.4542 per share, resulting in a dividend of $7,294,618 (2018: $6,186,386). QLDC's share of this was $5,472,061 (2018: $4,640,408).

There were no other significant events after balance date.

27. 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 25 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:

27. Related Party Disclosures continued

	Group	
	2019 $'000	2018 $'000
The following transactions took place between QLDC and related parties:		
Queenstown Airport Corporation Limited *		
Payment of rates on its property	481	380
Resource consent costs and collection fees	18	8
Development contributions	-	22
Payment for construction works	9	626
Rent - NASA lease	-	39
Other	-	5
Wanaka airport management fee	-	175
Parking infringement services	83	76
Dividends	5,391	5,377
Lease of Wanaka Airport land (upfront payment)	-	11,300
Sale of Wanaka Airport assets (excluding land)	-	3,200
Balances owed (to) / from at 30 June were:		
Owed from Queenstown Airport Corporation Ltd	3	1

*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.

	2019	2018
The following transactions took place between Queenstown Airport Corporation and related parties:		
Auckland International Airport Ltd		
- Rescue fire training	(41)	(13)
- Purchase of fire appliance	-	(2)
- Director fees	(43)	(38)
Warbirds over Wanaka Community Trust (J Gilks, Trustee)		
- Event fee	-	13
Aviation Security Service (G Lilly, Director)		
- Airport security cards	-	(8)
- Rental, power recovery and parking revenue	-	239
Civil Aviation Of New Zealand (G Lilly, Director) - CAA Certification Audit Fees	-	(10)
ISPS Handa NZ Golf Open (N Thompson, Committee member) - Sponsorship	-	(10)
Go Rentals (Auckland) Ltd (G Lilly, Director) - Commercial parking revenue	85	101
NZTA (M Stiassny, Chair and A Young-Cooper, member)		
- Recovery of governance workshop costs	-	8
BNZ (P Flacks, Director) - Interest paid, other bank fees and interest received	(1,120)	(865)
Balances owed (to)/from at 30 June were:		
Owed to Aviation Security Services	-	(1)
Owed to Auckland International Airport Ltd	-	-
Owed from Aviation Security Services	-	8
Owed to BNZ	(16,750)	(31,167)

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 $40,000 (2018: $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.

28. Notes to the Statement of Cash Flows

	Council		Group	
	2019	2018	2019	2018
	$'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 $1,423,838 (2018: $1,802,064) for Council and $1,442,838 (2018: $1,821,863) 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 2019 $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Cash and cash equivalents	20,876	10,028	21,785	11,925
Bank overdraft	-	-	-	-
	20,876	**10,028**	**21,785**	**11,925**

(b) Borrowings - facilities

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

	Council 2019 $'000	Council 2018 $'000	Group 2019 $'000	Group 2018 $'000
Amount used	106,034	85,000	168,734	142,000
Amount unused	67,466	15,000	224,766	178,000
	173,500	**100,000**	**393,500**	**320,000**

28. Notes to the Statement of Cash Flows continued

		Council		Group	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(c)	**Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities**				
	Surplus for the year	52,872	51,483	64,072	61,099
	Add/(less) non-cash items:				
	Depreciation and amortisation	27,563	25,148	35,768	33,142
	Loss provision	4,100	2,200	4,100	2,200
	Vested assets	(36,070)	(30,684)	(36,070)	(30,684)
	(Gain)/loss on sale of property, plant & equipment	(1)	(1,159)	(1)	(93)
	(Gain)/loss on revaluation of property, plant & equipment	-	-	-	135
	(Gain)/loss on revaluation of forestry investment	(687)	-	(687)	(597)
	(Gain)/loss on revaluation of investment property	(5,154)	(2,021)	(5,154)	(2,021)
	(Gain)/loss on sale of investment property	-	(153)	-	(153)
	Net change in fair value of derivative financial instruments	2,800	642	2,766	614
	Other	-	-	44	(1,329)
		45,424	**45,456**	**64,839**	**62,313**
	Movement in working capital:				
	Trade and other receivables	(4,137)	(1,849)	(4,252)	(2,153)
	Inventories	(7)	-	(7)	-
	Current tax refundable/payable	-	-	(1,066)	2,180
	Other current assets	302	(417)	440	(514)
	Deferred tax asset/liability	-	-	(475)	(530)
	Trade and other payables	613	4,453	1,520	2,078
	Employee entitlements	305	185	433	353
	Other financial liabilities	(200)	11,359	(87)	87
		(3,124)	**13,731**	**(3,494)**	**1,501**
	Movement in items treated as investing activities	1,827	(2,437)	60	183
	Net cash inflow from operating activities	**44,127**	**56,750**	**61,405**	**63,997**

29. Remuneration (Council Only)

During the year to 30 June 2019, 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	
	2019	2018
Elected Representatives	$	$
Council		
Jim Boult - Mayor	118,079	114,772
Callum McLeod - Deputy Mayor /Councillor Wanaka	41,587	49,587
Tony Hill - Councillor Wakatipu/Committee Chair [1]	40,310	38,375
John MacDonald - Councillor Wakatipu	33,538	32,941
Penny Clark - Councillor Wakatipu	33,538	32,941
Val Miller - Councillor Wakatipu	33,538	32,941
Ross McRobie - Councillor Wakatipu/Committee Chair [2]	41,524	42,815
Scott Stevens - Councillor Arrowtown/Committee Chair [3]	40,350	38,375
Craig Ferguson - Councillor Wakatipu	33,538	32,941
Alexa Forbes - Councillor Wakatipu/Committee Chair	39,070	38,375
Wanaka Community Board		
Rachel Brown - Board Member	11,745	21,214
Edward Taylor - Board Member	11,745	11,571
Quentin Smith - Board Chair [4]	49,718	31,045
Ruth Harrison - Board Member	11,745	11,571
Judith Battson - Board Member	11,745	7,495

[1] Remuneration includes $1,240 for attending District Plan hearings on behalf of QLDC.
[2] Remuneration includes $2,454 for attending District Plan hearings on behalf of QLDC.
[3] Remuneration includes $1,280 for Resource consent hearings on behalf of QLDC.
[4] Remuneration includes $10,648 for attending District Plan hearings on behalf of QLDC.

Chief Executive

For the year ended 30 June 2019, 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 $337,864 (2018: $326,214).

Employee staffing levels and remuneration

The number of employees employed by Queenstown Lakes District Council at 30 June 2019 was 452 (30 June 2018: 392). The number of full-time employees and full time equivalents of all the other employees as at 30 June 2019 was 309 and 75 respectively (30 June 2018: 273 and 55).

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:

	2019	2018
< $60,000	244	221
$60,001 to $80,000	74	67
$80,001 to $100,000	49	42
$100,001 to $120,000	46	34
$120,001 to $140,000	15	10
$140,001 to $160,000	13	9
> $160,000	11	9
Total number of employees	**452**	**392**

30. Severance Payments

For the year ended 30 June 2019 QLDC made no severance payments to employees.

31. 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.

2019	Pre-1990 Forest	Landfill	Total
Productive area (hectares)	296	n/a	296
Opening balance	-	-	-
NZUs purchased during the year	-	86,002	86,002
NZUs allocated/transferred internally during the year	-	-	-
NZUs transferred to Scope Resources Ltd during the year	-	(52,681)	(52,681)
NZUs on hand at balance date	**-**	**33,321**	**33,321**

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.

32. Explanation of Major Variances against Budget

Statement of Financial Performance

QLDC recorded a surplus of $52.9m for the year. This is up from the $51.5m surplus recorded last year and down against a budget of $58.0m. The main reasons for the lower surplus against budget, which is not profit, are related to higher expenses ($7.4m) to budget.

Revenue was above estimate by 1.0% or $2.0m and expenditure was over by 5.2% or $7.2m. This reflects continued extremely high levels of activity across all activities.

The following major items contributed to this variance:

- Increased vested asset income of $25.3m for the year; this non-cash income reflects the value of assets passed to Council as a result of continued high levels of development activity in the district.
- A decrease in development contribution income of $2.2m which is related to the level of development activity within the district. This income can only be used to fund growth related capital expenditure.
- The deferral of the expected Commonage Land sales to 2019/20 created an unfavourable variance of $24.8m

The surplus includes the following:

- $3.0m of net unrealised gains as a result of the revaluation of investment property, interest rate swaps and forestry assets as at 30 June 2019.

Operating expenditure was $7.2m (5.2%) over budget for the year ended 30 June 2019. $4.0m of this negative variance is due to an increase in loss provision 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 $1.3m 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 most of this additional cost is recovered in revenue.
- Interest expense for the year is $2.8m less than budget. This is a result of the timing of some capital works and lower than expected interest rates.
- Costs for road maintenance were $1.7m above budget for the year, mainly as a result of emergency work along with environmental maintenance.
- Increased costs of $1.9m for handling larger than expected volumes of solid waste for the year.
- Depreciation and amortisation expense higher than budget by $2.4m, largely as a result of updated valuations for ininfrastructure assets as 30 June 2019.

- The negative variance for operational costs was offset by a $2.4m positive variance as result of the the deferral of the Coronet Forest harvest.

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 $28.7m for the year ended 30 June 2019. This relates mostly to timing differences for the following large projects:
  - N East Frankton Stormwater conveyance
    (2018/19 budget of $6.77m versus actual spend of $4.86m - Project completion programmed for 2019/20);
  - Queenstown Town Centre Pedestrianisation
    (2018/19 budget of $2.50m versus actual spend of $1.13m - Project dependent on NZTA funding and is programmed for delivery between 2019 to 2026;
  - Willow Place WWPS Rising Main upgrade
    (2018/19 budget of $1.12m versus actual spend of $0.20m - Project completion programmed for 2019/20);
  - Wanaka Minor Improvements
    (2018/19 budget of $2.09m versus actual spend of $1.21m - Project completion programmed for 2019/20);
- Reduced capital expenditure in the last 3 years, as well as the sale of the Scurr Heights land in 2016 and the prepayment for the Wanaka Airport lease this year, results in borrowings that are $51.8m below forecast. Total debt as at 30 June 2019 is $106.3m compared to a forecast of $158.1m.

Statement of Changes in Equity

Accumulated differences between actual and budgeted net surpluses as described above for 2019, as well as the impact of infrastructure asset revaluations; prior investment property revaluations and reduced borrowings, has resulted in an equity variance of $420m 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) were $64.6 million below estimate and a prepayment was received for the Wanaka Airport lease this year. Consequently, net borrowings were around $22.6 million less than expected.

33. 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.

QLDC obtained a credit rating from Fitch Ratings in December 2017 in order to facilitate additional debt funding ahead of the 2018-28 Long-term Plan.

No other changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2019 and 2018.

(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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets				
Cash and cash equivalents (AC)	20,876	10,028	21,785	11,925
Trade and other receivables (AC)	19,316	15,179	23,173	18,923
Other financial assets (AC)	472	9,972	472	9,972
Other financial assets (FVTSD)	-	-	-	-
Other financial assets (AFS)	1,408	1,248	1,408	1,248
Financial liabilities				
Trade and other payables (AC)	27,684	27,071	31,895	30,371
Borrowings (AC)	106,298	85,466	168,998	142,466
Other financial liabilities (FVTSD)	5,002	2,202	5,831	2,338

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.

33. 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			
		2019 $'000 +50 bps		2018 $'000 +50 bps		2019 $'000 +50 bps		2018 $'000 +50 bps	
	Note	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Liabilities									
Borrowings	(i)	(100)	(100)	(100)	(100)	(286)	(286)	(273)	(273)
		(100)	**(100)**	**(100)**	**(100)**	**(286)**	**(286)**	**(273)**	**(273)**

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 (2018: $20,000,000).
QAC has floating rate debt with a principal amount totalling $32,700,000 (2018: $34,500,000).

(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 15 (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	
	2019 $'000	2018 $'000
Council		
Financial assets and other credit exposures	42,072	36,427
Group		
Financial assets and other credit exposures	46,838	42,068

(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 28 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 15 (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).

2019	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Council				
Financial assets				
Other investments	1,408	-	-	1,408
Financial liabilities				
Derivatives	5,002	-	5,002	-
Group				
Financial assets				
Other investments	1,408	-	-	1,408
Financial liabilities				
Derivatives	5,831	-	5,831	-

2018	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Council				
Financial assets				
Other investments	1,248	-	-	1,248
Financial liabilities				
Derivatives	2,202	-	2,202	-
Group				
Financial assets				
Other investments	1,248	-	-	1,248
Derivatives		-		-
Financial liabilities				
Derivatives	2,338	-	2,338	-

33. Financial Instruments continued

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

Council 2019	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	-	27,684	27,684	27,684	-	-	-	-	-
Borrowings	3.72%	106,298	120,491	23,829	28,380	2,303	22,143	11,513	32,323
		133,982	**148,175**	**51,513**	**28,380**	**2,303**	**22,143**	**11,513**	**32,323**

Council 2018	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	-	27,071	27,071	27,071	-	-	-	-	-
Borrowings	4.37%	85,466	98,178	33,471	2,760	27,423	1,347	11,271	21,906
		112,537	**125,249**	**60,542**	**2,760**	**27,423**	**1,347**	**11,271**	**21,906**

Group 2019	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	-	31,895	31,895	31,895	-	-	-	-	-
Borrowings	3.39%	168,998	186,145	45,505	29,658	45,003	22,143	11,513	32,323
		200,893	**218,040**	**77,400**	**29,658**	**45,003**	**22,143**	**11,513**	**32,323**

Group 2018	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	-	30,371	30,371	30,371	-	-	-	-	-
Borrowings	3.75%	142,466	156,785	92,078	2,760	27,423	1,347	11,271	21,906
		172,837	**187,156**	**122,449**	**2,760**	**27,423**	**1,347**	**11,271**	**21,906**

Annual report disclosure statement for the year ended 30 June 2019

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.

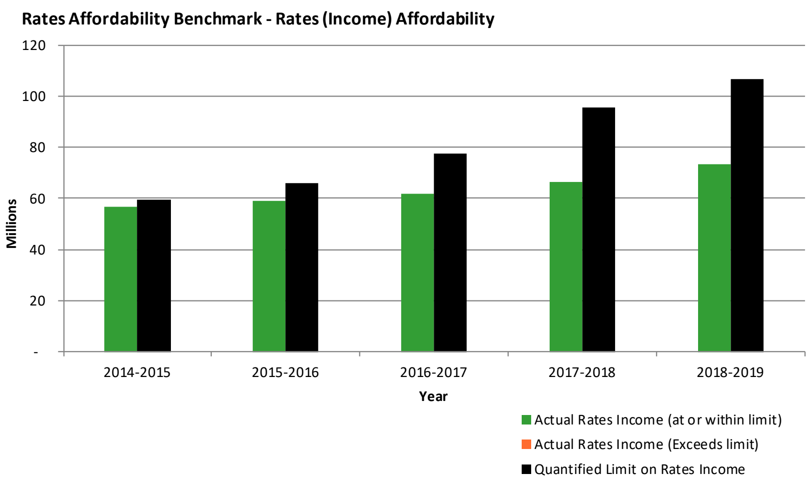
The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

RATES AFFORDABILITY BENCHMARK

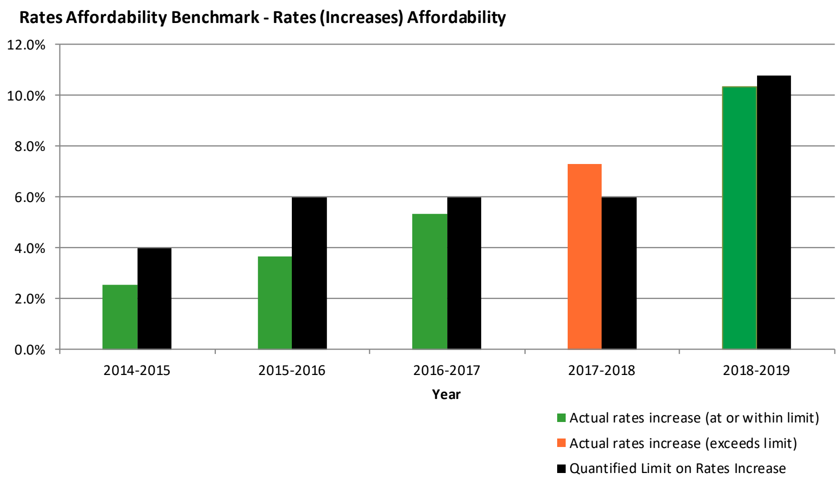
The council meets the rates affordability benchmark if—

- 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.



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 10.8% per annum (subject to changes in growth).

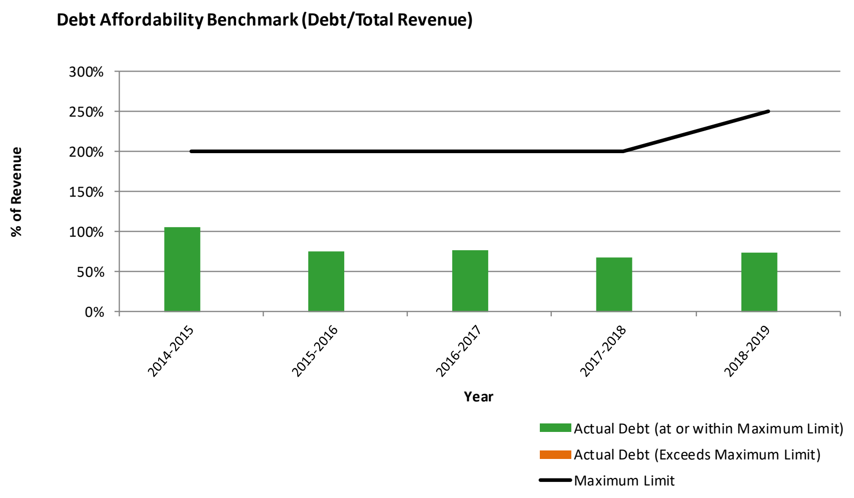


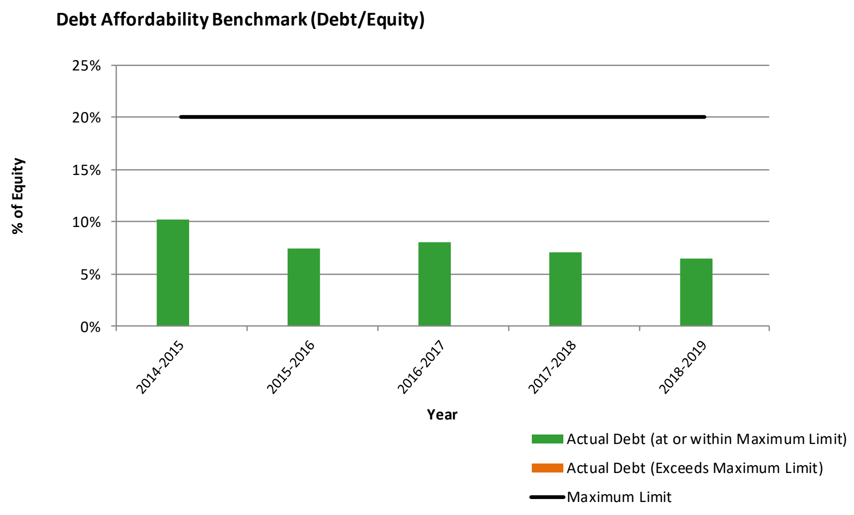
DEBT AFFORDABILITY BENCHMARKS

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%.

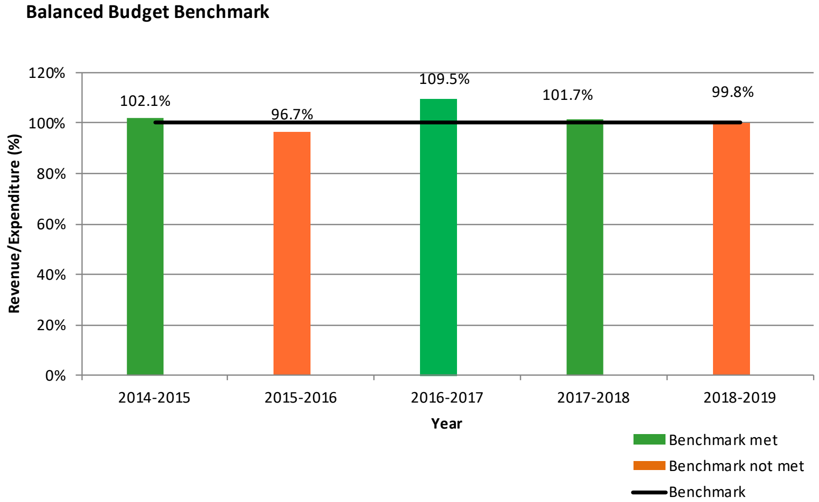




BALANCED BUDGET BENCHMARK

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).

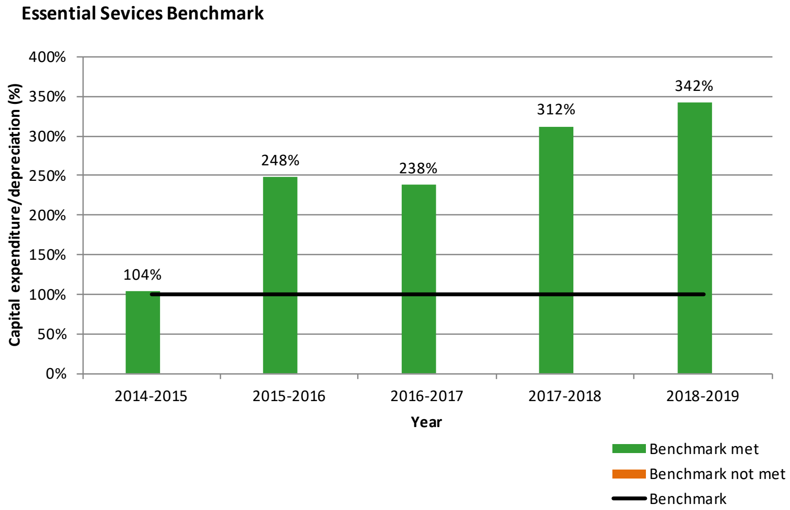
The council meets this benchmark if its revenue equals or is greater than its operating expenses.



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.

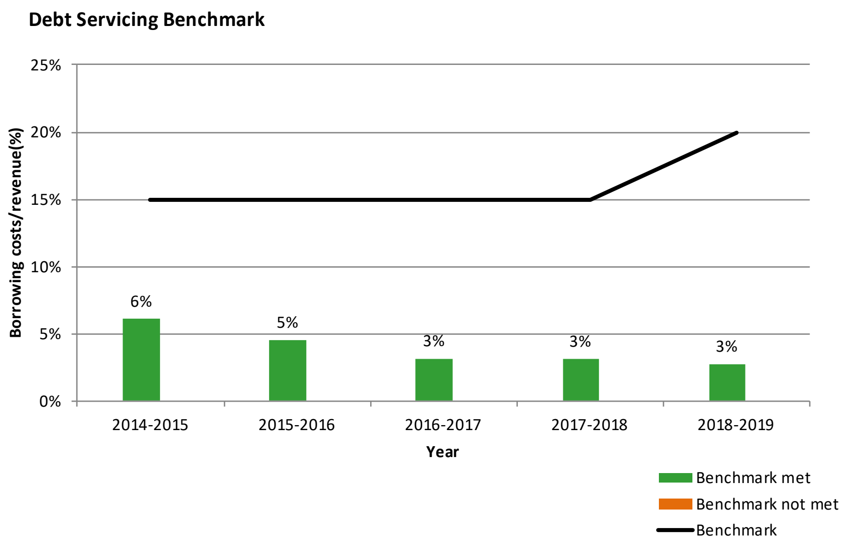


DEBT SERVICING BENCHMARK

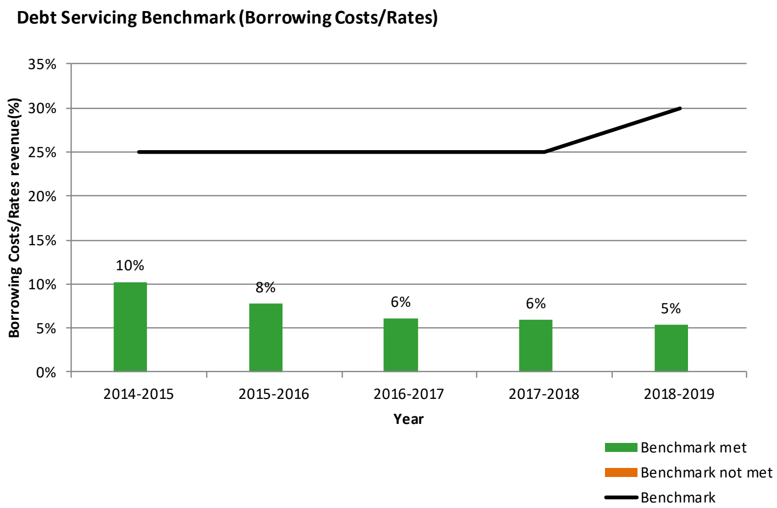
The following graphs compares the council's actual debt servicing with the quantified limits on borrowing stated in the financial strategy included in the council's long-term plan.

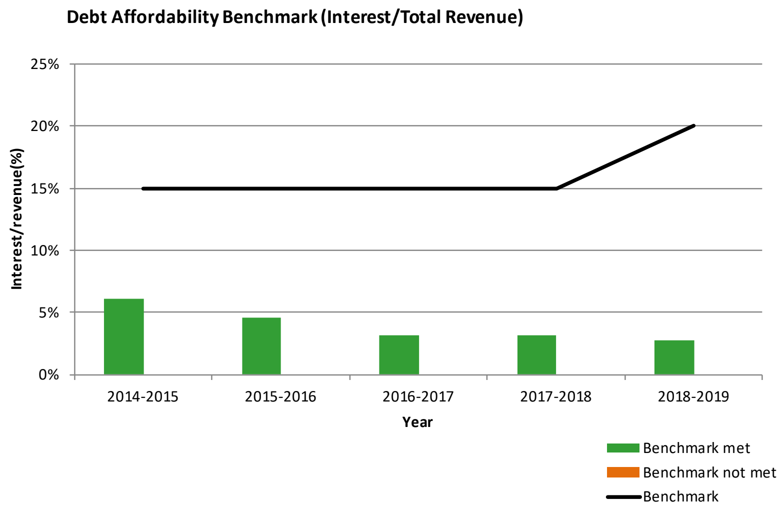
The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

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.

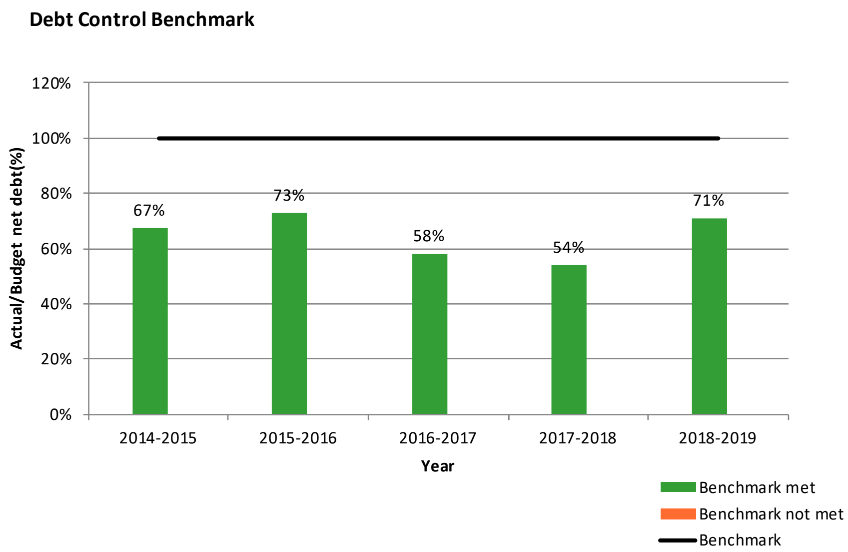




DEBT CONTROL BENCHMARK

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).

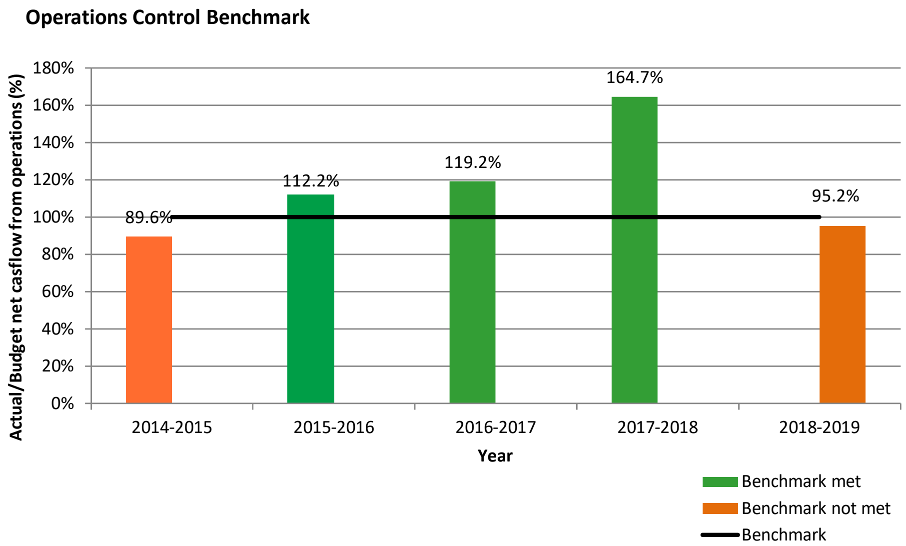
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



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 three of the benchmarks for the past four years. The reason for the breach in the “Operations control benchmark”. In 2018/19 the favourable receipt of dividends and interest has been offset by the lag in receipt of Non Exchange debtors. In 2014/15 the breach 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 and 2018/19 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. The “Rates affordability benchmark” relating to the percentage increase for rates was breached in 2017/18. The incoming Council agreed to a higher than forecast increase in rates for the 2017/18 year in order to increase resources to deal with growth proactively in the district.

CORE ASSETS DISCLOSURE

		Closing Book Value 30-Jun-19 $000's	Additions constructed by Council $000's	Additions transferred to Council $000's	Estimated replacement cost $000's
Water Supply	Treatment plants and facilities	30,875	530	-	15,647
Water Supply	Other assets (such as reticulation systems)	202,241	3,058	9,141	217,484
Sewerage	Treatment plants and facilities	56,235	2,148	454	46,336
Sewerage	Other assets (such as reticulation systems)	267,004	6,223	10,649	276,948
Stormwater Drainage		255,029	1,082	7,737	255,032
Roads & Footpaths		592,091	9,661	6,592	592,123

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:

Rating base information as at 30 June 2018

The number of rating units 25,222

The total land value of rating units 19,032,027,400

The total capital value of rating units 32,690,475,000

INSURANCE ON ASSETS

Buildings, Plant & Equipment

The Council has a total asset value for insurance purposes of $339,799,507. This is made up of $234,422,900 for Property and Plant and $105,376,607 under the 3 Waters Assets noted below. The insurance is based on full Replacement Value. There are two policies, one for a Fire (Replacement) Loss limit of $45,000,000, the other a Material Damage (excluding Fire) policy. The Council carries the first $10,000 of any loss for Fire and Perils, and to $250,000 for flood damages. The Natural Disaster excess is 2.5% of the sum insured minimum $2,500 and/or for Pre-1935 Risks 10% of the Material Damage site sum insured, minimum $10,000 for Natural Disaster losses. This applies to the combined Material Damage and Business Interruption loss.

3 Waters Asset - Buildings/Plant & Equipment

The Council has a total asset value for insurance purposes of $105,376,607. This is made up of Replacement Value $68,527,992 and Indemnity Value $36,848,615. The Council carries the first $10,000 of any loss for Fire and Perils, and to $250,000 for flood damages. The Natural Disaster excess is 2.5% of the sum insured minimum $2,500 and/or for Pre-1935 Risks 10% of the Material Damage site 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 $2,506,376, with an Aggregate Limit of Liability of $3,098,752. The Council carries an excess that is percentage of the sum of the Block Declared Value.

Vehicles

The Council has a total asset value for insurance purposes of $2,094,647. 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 damage to 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 NZD300,000,000 combined limit for an event involving more than one Council for any one loss or series of losses arising out of any one event. The Limit of Liability for Queenstown Lakes District Council is NZD130,000,000 each and every loss The Deductible is NZD1,000,000 each and every Loss.

Auditor’s report