ANNUAL REPORT

2017/18

QUEENSTOWN LAKES DISTRICT COUNCIL

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SECTION 1

OVERVIEW

CHIEF EXECUTIVE'S REPORT

This Council recognises the need to plan for acceptable, managed growth. It is that understanding which shaped the past year in balancing current and future needs. It was a busy period with two clear priorities for Queenstown Lakes District Council. Firstly to commence delivery of an ambitious delivery programme and secondly to maintain levels of services the community needs and expects. Alongside this, we have had to invest significant efforts in laying the foundations for a future that continues to forecast sustained growth in both local resident numbers and the volumes of domestic and international visitors. This Council has needed to make bold decisions and continues to advocate to Central Government on behalf of our communities to find new and innovative ways of funding developments, affordable housing solutions and our local economy. The Annual Report details how the Council has addressed these challenges in the last 12 months.

Infrastructure has been a big focus for both Council and the community in this last year. The final stage of Hawthorne Drive opening on 21 December 2017 re-routed traffic away from Glenda Drive and significantly improved drive times between the BP roundabout and Queenstown Airport by providing a second route for airport traffic. As a project it came in under budget and on time thanks to a successful partnership between Council, Stantec and Fulton Hogan.

This coincided with the long-awaited $2 Orbus public transport service introduced by Otago Regional Council, which Council had advocated for on behalf of the community. As an important part of Council's Queenstown Integrated Transport Strategy, changing people's travel behaviour away from single-passenger cars aimed to improve traffic flow in the CBD and key routes in and out of Queenstown. This strategy also included a number of changes to parking in the CBD in December 2017 and March 2018, encouraging people to use public transport, carpooling and alternative transport such as cycling and walking.

A key milestone for us came in June 2018 when the Councillors adopted the 2018-2028 Ten Year Plan. After 18 months of development this bold Ten Year Plan includes an ambitious programme of development, with $317M of growth-related capital expenditure in the district. In the same month, Councillors also approved an update to the Waste Minimisation and Management Plan which will ensure a consistent approach to waste and recycling throughout the district, which our communities have welcomed.

The Infrastructure team finished the year on a high by receiving industry recognition for their outstanding work developing the Queenstown Town Centre Masterplan. At the 13th Excellence Awards hosted in June by the Institute of Public Works Engineering Australasia, QLDC and the

Arrowtown-based consultancy firm, Rationale, were jointly presented with the award for Excellence in Strategic Planning. Other key milestones for the Queenstown Town Centre Masterplan included the adoption by Council of the Indicative Business Case in September 2017 and the Spatial Framework and Town Centre Design Guidelines in December 2017. This followed a wide-reaching community engagement project undertaken in July and August 2017 that included pop-up community events and advisory groups.

In November we received the good news that the Council had retained its accreditation as a Building Consent Authority (BCA) following a successful assessment by International Accreditation New Zealand completed in October 2017. The report acknowledged the positive changes that had been made across the BCA, how well the BCA had prepared for the assessment and actively worked to ensure all outstanding items had been addressed.

Affordability and the availability of housing continues to be an area of focus for the Council. In October the Mayoral Housing Affordability Taskforce presented its report at a Full Council meeting, with six recommendations aimed at addressing the supply and affordability of housing across the district. It has been exciting to see progress begin in delivering these innovative projects and strengthening our relationship with the Queenstown Lakes Community Housing Trust. Two special housing areas were also approved in principle to help unlock much-needed housing supply in the district. These were Bullendale SHA (Arthur's Point), and Bright Sky SHA (Wanaka).

In September and November, the Planning & Development team notified Stage 2 of the Proposed District Plan (PDP). This phase of an extensive and important review of the plan brought focus to a range of chapters including transport, visitor accommodation and land use within the Wakatipu Basin which prompted a great deal of community engagement. July to September 2017 also saw the hearings for Stage 1 of the review completed. Decisions on Stage 1 of the PDP were released in late 2017 and the appeals process to consider the 101 appeals received commenced in April 2018.

Some key milestones in sport and recreation included the long-awaited opening of the new Wanaka Pool at the recreation centre at Three Parks. Michael Skerrett, Ngāi Tahu – Waihōpai, performed a blessing and two-time Olympic triathlete, Nicky Samuels made a guest appearance. The Queenstown Events Centre Cricket Oval was also host to the International Cricket Council Under-19 Cricket World Cup in January and February. This free event saw the oval feature nine matches including England's group games against Namibia, Bangladesh and Canada. These were well attended events enjoyed by both spectators and players who were in awe of the location.

Following on from the success of the pop-up library at the Queenstown Events Centre, the Libraries team began an expression of interest process in November 2017 to identify an interim library space in Frankton in recognition of the demand from the local community for such a facility. This was ahead of the original 2020 planned date and a site in Frankton was announced earlier this year with work commencing on setting up the facility. The team is very much looking forward to opening the new Frankton Library in this next financial year.

In September 2017, a new contestable fund of $135,000 was approved by Councillors aimed at supporting innovation and diversification in the local economy. After strong interest from local ventures, the appointed advisory panel chose to fund four initiatives; Study Queenstown to boost international student numbers in the district, business incubation with Creative HQ to support businesses with high potential, insights into visitor demographics from Wherewolf to help with targeted marketing, and support for tourism operators to capitalise on the sustainable visitor market via the Sustainable Business Network.

In May of this year, the Councillors adopted our first ever Disability Policy, which will guide a range of actions to remove barriers to participation for disabled people living in or visiting our district. Council is committed to acknowledging the contribution disabled people can and do make to the cultural, social and economic life of our community and to supporting the development of genuinely inclusive environments where people can participate and contribute on an equal basis. A quarter of the population in Otago and Southland identified themselves as having a disability in the census, a statistic higher than the national average and emphasising the importance of this new policy.

I would like to acknowledge the contribution of the elected representatives on both the Council and the Wanaka 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 2017/18

QLDC recorded a surplus of $51.5m for the year. This is down from the $64.8m surplus recorded last year but up against a budget of $20.8m. The main reasons for the higher surplus against budget, which is not profit, are related to higher revenue ($35.8m) to budget and $2.7m of other net gains.

Both revenue and operating expenditure were above budget for the year ended 30 June 2018. Revenue was above estimate by 26.0% or $35.8m and expenditure was over by 6.7% or $7.8m. This reflects continued extremely high levels of activity across all activities.

The following major items contributed to this variance:

- Increased vested asset income of $19.9m 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.
- Increased development contributions of $9.5m which is related to the level of development activity within the district. This income can only be used to fund growth related capital expenditure.
- User charges for consents was $1.3m above budget for the year; rental income was also above budget by $1.3m and refuse user charges were also up by $0.54m. Most of this positive variance for user charges was offset by the negative variance of $2.9m as result of the the deferral of the Coronet Forest harvest.
- Other income was $3.4m above budget for the year. The main reason for the higher result pertains to increased income from infringement fees - particularly related to parking and freedom camping.
- Dividend income from Queenstown Airport Corporation (QAC) was $1.6m above budget for the year.
- The surplus includes the following:
    - $1.3m of gains relating to the disposal of Council owned property.
    - $1.4m of net unrealised gains as a result of the revaluation of interest rate swaps and investment property as at 30 June 2018. This follows $32.4m of unrealised gains for these items in 2017.

Operating expenditure was $7.8m (6.7%) over budget for the year ended 30 June 2018. $2.1m 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 $4.5m 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 $4.4m 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 $2.9m above budget for the year, mainly as a result of emergency work (including snow clearing required in winter 2017) as well as the costs associated with the Queenstown Airport Corporation (QAC) Park and Ride.
- Increased costs of $1.2m for handling larger than expected volumes of solid waste for the year.
- Depreciation and amortisation expense higher than budget by $0.8m.
- The negative variance for operational costs was offset by a $2.9m 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 $13.6m for the year ended 30 June 2018. This relates mostly to timing differences for the following large projects:
  - Arrowtown Community Sports Centre Fund

    (2017/18 budget of $0.95m versus actual spend of $0.1m - Project completion programmed for 2018/19);
  - Waste Water Treatment Screenings Facility (Wanaka)

    (2017/18 budget of $0.6m versus actual spend of $0.0m - Contract now agreed. Project completion programmed for 2018/19);
  - LED Street Light Replacements (Wanaka & Wakatipu)

    (2017/18 budget of $1.1m versus actual spend of $0.0m - Contract now agreed. Project completion programmed for 2018/19);
  - Bathhouse Playground Renewal

    (2017/18 budget of $0.7m versus actual spend of $0.2m - Project completion programmed for 2018/19).
- 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 $101.6m below forecast. Total debt as at 30 June 2018 is $85.5m compared to a forecast of $187.1m.

STATEMENT OF CHANGES IN EQUITY

Accumulated differences between actual and budgeted net surpluses as described above for 2018, as well as the impact of prior investment property revaluations and reduced borrowings, has resulted in an equity variance of $111.2m above forecast.

STATEMENT OF CASH FLOWS

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows, particularly cash flows from investing and financing activities. Cash payments for the purchase of property, plant and equipment (i.e. capital expenditure) were $15.3 million below estimate and a prepayment was received for the Wanaka Airport lease this year. Consequently, net borrowings were around $36.9 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.

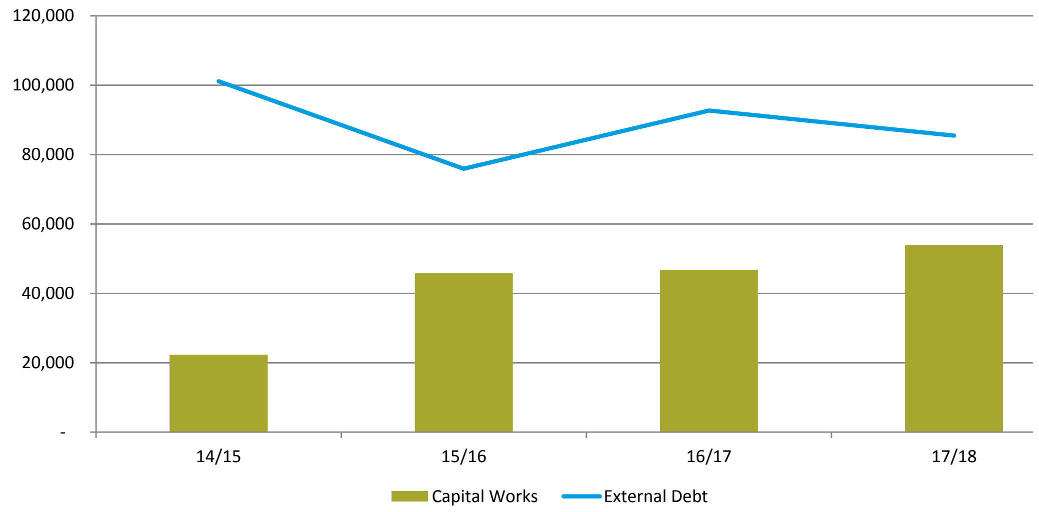
The Council's Financial Strategy is aimed at responding to the needs of our district today and into the future in a responsible and affordable way. It is important that the costs of providing facilities with long lives are shared between today's ratepayers and those in the future. If the task is successfully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

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

REPORTING BACK ON FINANCIAL STRATEGY

Capital Programme

External Debt vs Capital Works (000's)

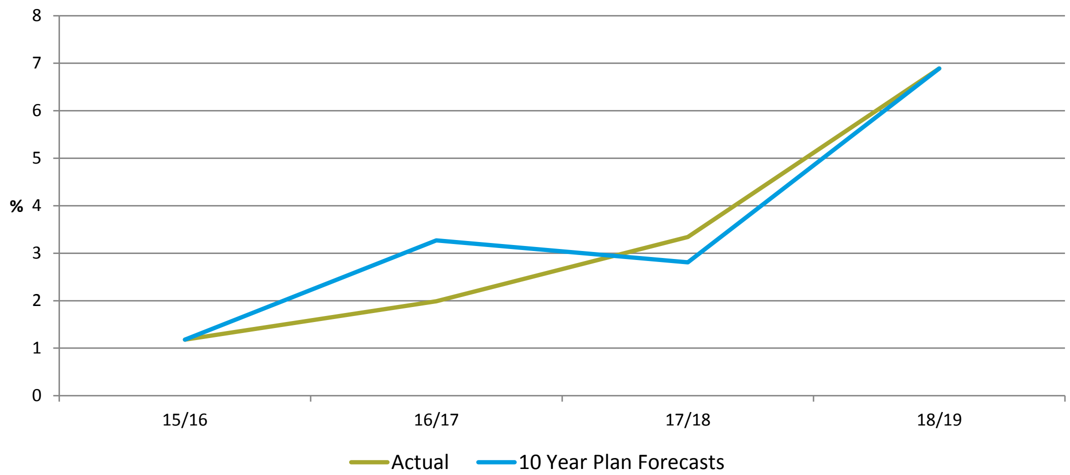


The graph above shows that the actual spend on capital projects has increased significantly for the last three years compared to 2014/15. This is the result of good progress on major projects including Project Shotover, Eastern Access Road, the Wanaka Recreation Centre, the Wanaka Aquatic Centre and the Kawarau Falls Bridge water supply and wastewater pipelines.

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 2017/18 are higher than forecast and reflect the impact of increased levels of service including the major new facilities of Project Shotover in Queenstown and the Wanaka Recreation Centre. The rates for 2017/18 have been set at $67.1m compared to the forecasted amount of $65.7m in the 2015 Ten Year Plan. The increase is 3.34% (after allowing for growth) compared to the forecast 2.81%.

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



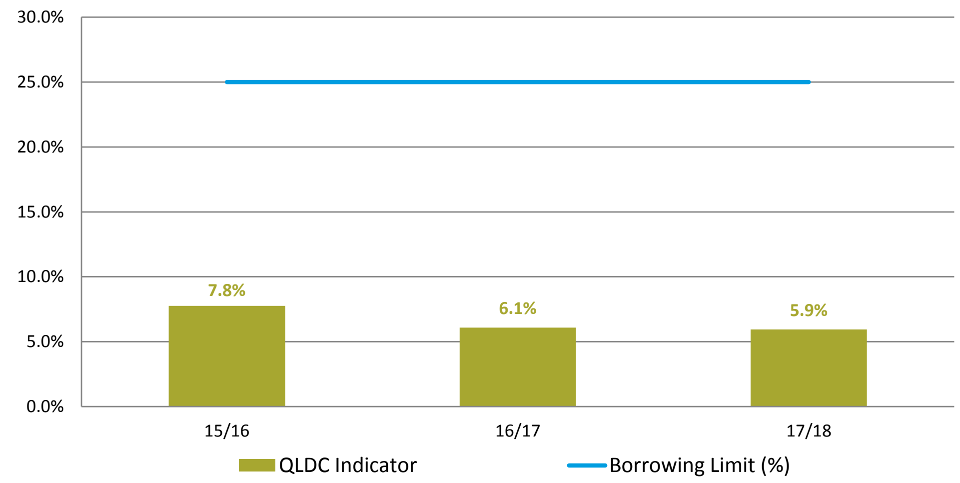
DEBT LEVELS

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 2018 was $85m; this is $7m less than June 2017 and $82.1m less than the amount forecast in the 2015 Ten Year Plan. This is largely due to the deletion of the Convention Centre project and the unbudgeted sale of Scurr Heights land in Wanaka in May 2016, and the recent lump sum payment related to the Wanaka Airport lease.

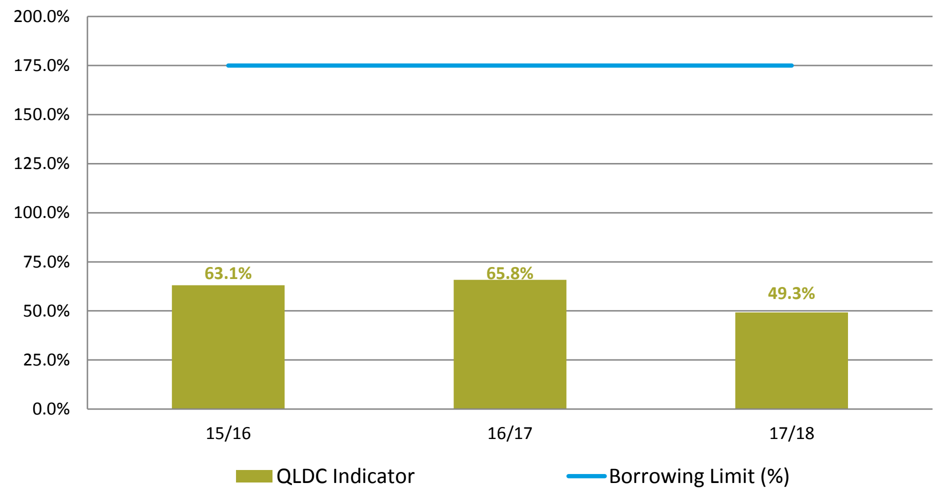
The actual and proposed levels of debt are now within all of the Council's self-imposed borrowing limits:

Borrowing Limits (%)	Actual 2015/16	Actual 2016/17	Actual 2017/18	Forecast 2017/18
Interest Expense/Rates < 25%	7.8%	6.1%	5.9%	12.8%
Interest Expense/Total Revenue < 15%	3.8%	2.7%	2.3%	7.1%
Net Debt/Total Revenue < 175%	63.1%	65.8%	49.3%	155%
Net Debt/Total Equity < 20%	7.4%	8.1%	7.1%	17%

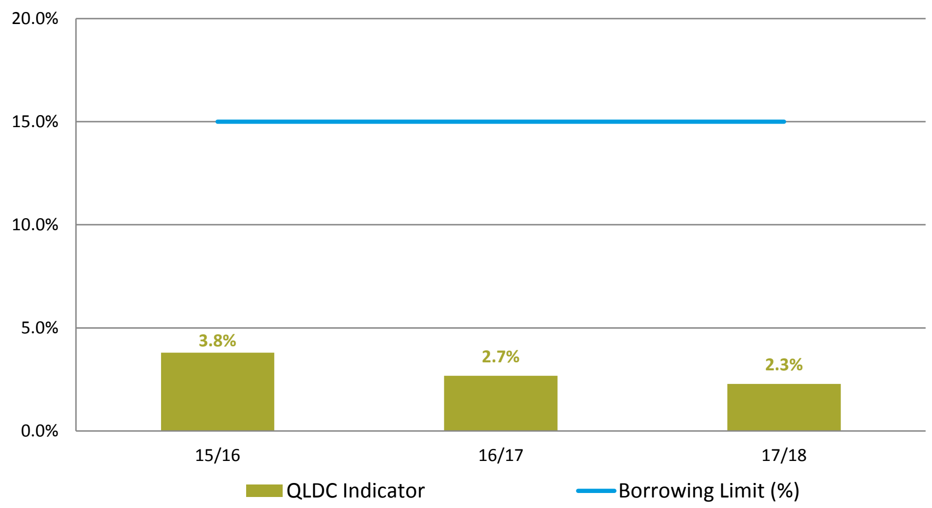
Interest Expense / Rates Revenue



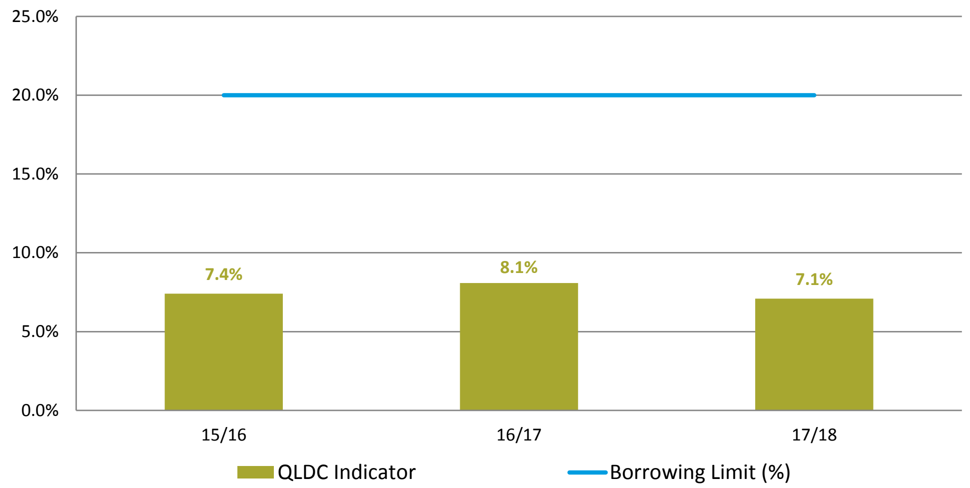
Net Debt / Total Revenue



Interest Expense / Total Revenue

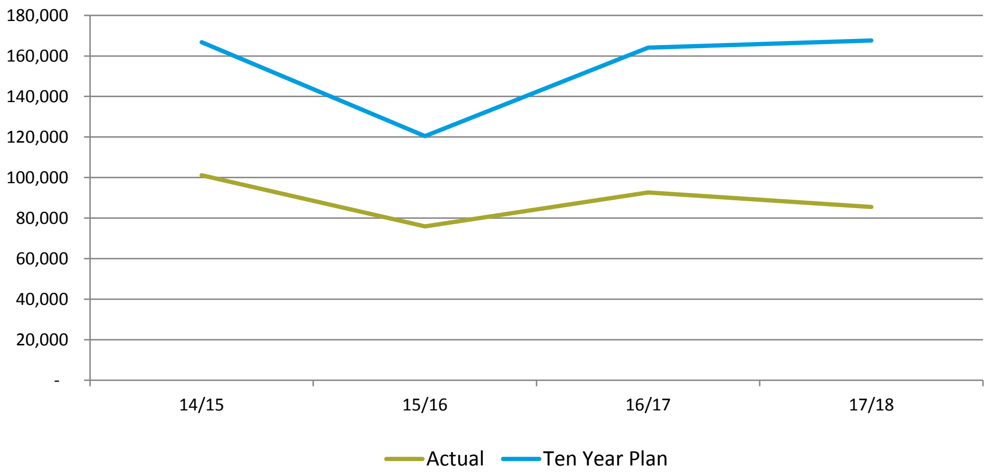


Net Debt / Total Equity



The following graph shows the forecasted debt levels compared to actual debt levels up to 2017/18. As can be seen, actual debt levels are significantly reduced. The actual external debt at 30 June 2018 was $85m and is $82.1m less than the amount forecast in the 2015 Ten Year Plan.

External Debt ($000's)



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

CAPITAL WORKS 2017/18

Notable infrastructure projects that have been substantially advanced or completed during the 2017/18 financial year:

Project	Cost at Year End 2018 ($)
Eastern Access Road (Hawthorne Drive) including 3 Waters & Other Services (2014/15 to 2017/18 costs)	25,193,153
Wanaka Aquatic Centre (2015/16 to 2017/18 costs)	12,282,000
Kawarau Falls Bridge Water Supply & Wastewater Pipelines	7,200,000
Project Shotover Stage 2 - Disposal Field	3,171,184
Marine Parade Pumping Station Risk	1,032,584
Wakatipu - Unsealed road metalling	1,018,025

Carry-forward projects totalling $22.5m were approved by the Council in September 2018 for completion in 2018/19. Projects in excess of $400k are as follows:

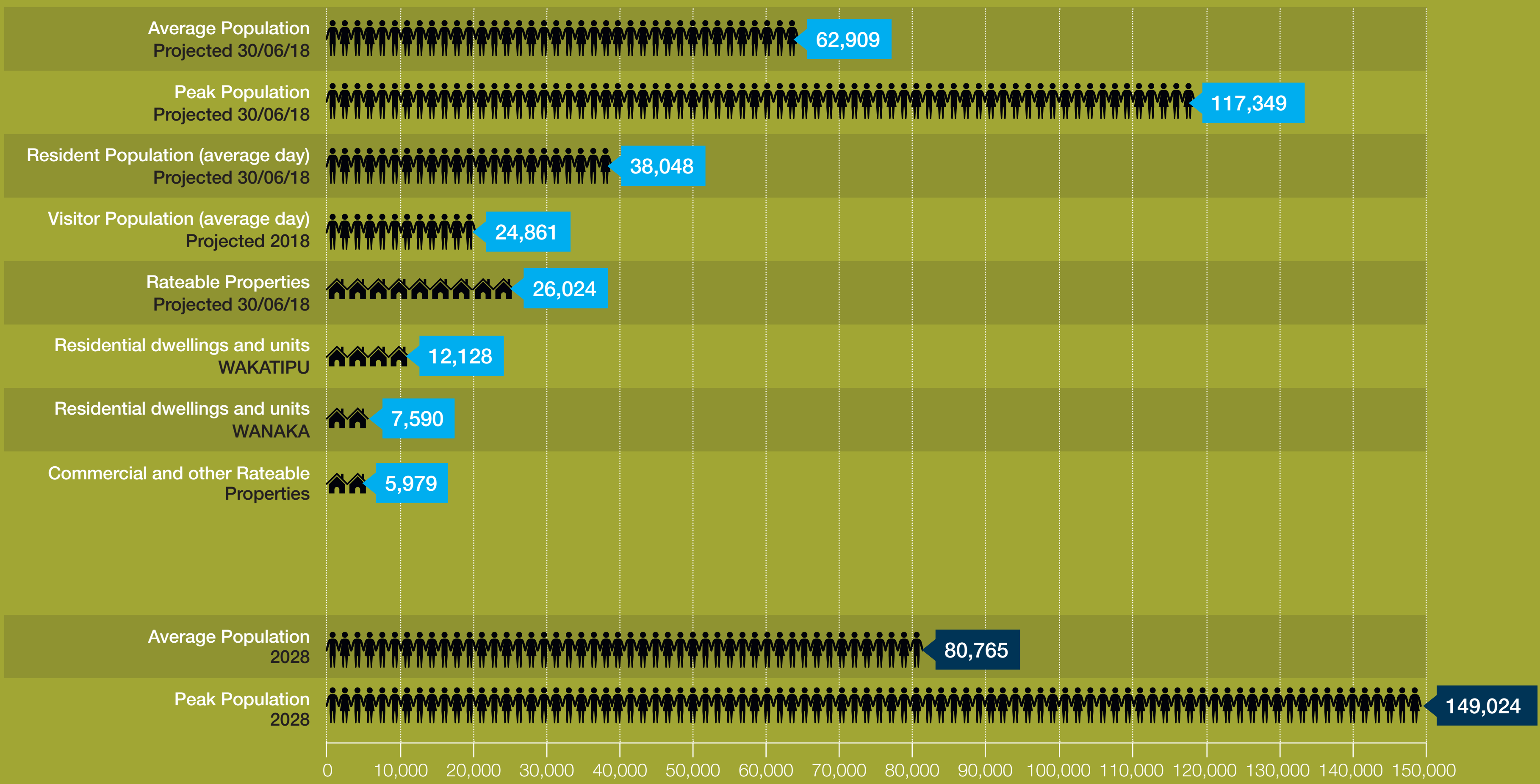
Project	Cost at Year End 2019 ($)
Rising Main - Shotover Country to Glenda Drive	2,071,237
Wanaka Land Reserve	2,000,000
Project Shotover Stage 2 - Disposal Field	1,181,616
LED street light replacements (Wanaka)	1,058,531
LED street light replacements (Wakatipu)	1,006,457
Arrowtown Community & Sports Centre Fund	830,198
Shotover Country Water Supply - Treatment	643,604
Connect Luggate to Project Pure	589,957
Wastewater Treatment Screening Facility	541,721
Wanaka Lakefront Reclamation	525,780
Playground Renewal Queenstown Bathhouse	506,351
Town Centre Master Plan Implementation	496,808
Glenorchy Water Reservoir Upgrade	458,724
Resilience - Crown Range Road Land Construction	448,138
Kelvin Heights Wastewater Upgrades	439,252

FACT FILE

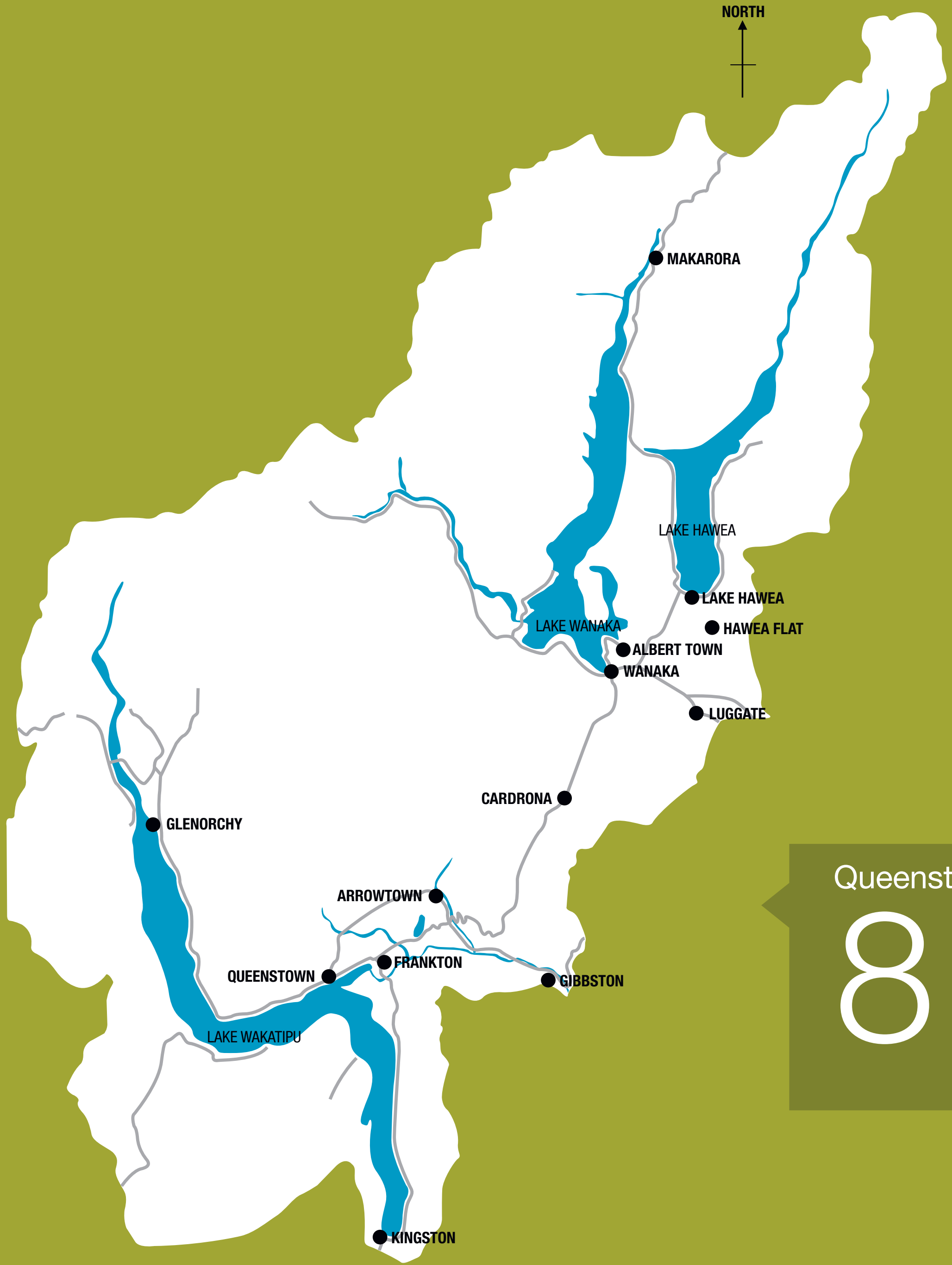
Source: Queenstown Lakes District Growth Projections for 2018

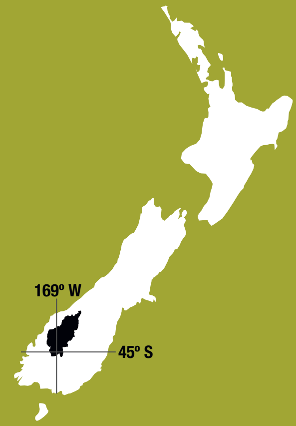
2017/18 FACT FILE

2028 PROJECTED GROWTH



DISTRICT MAP





Queenstown Lakes District area

8,467

square kilometres

DELEGATED RESPONSIBILITIES AS AT 30 JUNE 2018

COUNCILLORS

JIM BOULT
MAYOR

COUNCIL COMMITTEES

Audit, Finance and Risk Committee

Planning & Strategy Committee

Infrastructure Committee

Community & Services Committee

Governance Subcommittee

Elected Member Conduct Committee

Appeals Subcommittee

District Licensing Committee

Chief Executive Performance Review Committee

Dog Control Committee

COUNCILLORS

Wanaka Ward

CALUM MACLEOD
DEPUTY MAYOR

QUENTIN SMITH

ROSS MCROBIE

Wakatipu Ward

ALEXA FORBES

PENNY CLARK

CRAIG (FERG) FERGUSON

TONY HILL

JOHN MACDONALD

VALERIE MILLER

Arrowtown Ward

SCOTT STEVENS

WANAKA COMMUNITY BOARD

QUENTIN SMITH
CHAIR
(elected April 12, 2018 – present)
DEPUTY CHAIR
(elected Nov 2, 2016 - April 12, 2018)

CALUM MACLEOD

ROSS MCROBIE

RACHEL BROWN
CHAIR
(elected Nov 2, 2016 - April 12, 2018)

RUTH HARRISON
DEPUTY CHAIR
(elected April 12, 2018 – present)

ED TAYLOR

JUDE BATTSON

MANAGEMENT GROUP

MIKE THEELEN
CHIEF EXECUTIVE

MEAGHAN MILLER
GM, CORPORATE SERVICES

STEWART BURNS
GM, FINANCE, LEGAL & REGULATORY

PETER HANSBY
GM, PROPERTY & INFRASTRUCTURE

TONY AVERY
GM, PLANNING & DEVELOPMENT

THUNES CLOETE
GM, COMMUNITY SERVICES

CONTACT US

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KINGSTON: Email and we will call you

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facebook.com/QLDCinfo

COUNCIL OFFICES

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10 Gorge Road
Private Bag 50072, Queenstown

WANAKA OFFICE
47 Ardmore Street
Wanaka

QUEENSTOWN AIRPORT CORPORATION LIMITED*

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

** A Council-controlled trading organisation*

AUDITORS

Deloitte Limited on behalf of the office of the Auditor General

Auckland

SISTER CITIES

> Aspen, Colorado, USA (Queenstown)

> Hangzhou, China

GOVERNANCE REPORT

ROLE OF THE COUNCIL

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

- Formulating the district's strategic direction.
- Managing principal risks facing 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
- 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.

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 tāngata 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 Ngāi 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.

We organised and hosted the February Waitangi Day celebrations in Queenstown's Earnslaw Park to commemorate the signing of te Tiriti o Waitangi in 1840, and have also 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 and it will be rolling out as a standard part of inductions later in the year.

Staff were encouraged this year to participate in Māori Language week once again with the use of Te Reo becoming more common in both spoken and written Council communications, a development that we will continue to focus on. 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. This includes Te Reo development programmes planned for later this year alongside the Treaty programme.

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 2018 fairly present the financial position and operations of Queenstown Lakes District Council.

Jim Boult
Mayor
25 October 2018

Mike Theelen
Chief Executive
25 October 2018

SECTION 2

STATEMENT OF SERVICE AND PERFORMANCE

COMMUNITY OUTCOMES AND OBJECTIVES

OUR PLAN

Our long term aspirations for the district

COMMUNITY OUTCOMES

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

OUR LONG TERM COUNCIL OUTCOMES (What we planned to achieve for the 2015-25 Ten Year Plan)		OUR SHORT TERM COUNCIL PRIORITIES (What we planned to achieve in the first three years (2015-18))	OUR ACTIVITIES (How we will deliver our priorities)
CORE INFRASTRUCTURE AND SERVICES	High performing infrastructure and services that: > meet current and future user needs and are fit for purpose; > are cost-effectively & efficiently managed on a full life-cycle basis; > are affordable for the District.	Improving long-term asset management planning and project delivery.	> Water supply > Sewerage > Stormwater > Transport > Waste management
COMMUNITY SERVICES AND FACILITIES	The District's parks, libraries, recreational and other community facilities and services are highly valued by the community.	Increasing levels of community use and participation.	> Sports and recreation facilities (pools and gym) > Community venues and facilities > Libraries > Parks and trails
REGULATORY FUNCTIONS AND SERVICES	Regulatory requirements and services delivered by the Council: > encourage compliance; > are user friendly; > protect the interests of the District; > are cost effective; and achieve the regulatory objectives.	Improving the cost-effectiveness and efficiency of core services and processes.	> Planning and building services > Regulatory services
ENVIRONMENT	The District's natural and built environment is high quality and makes the District a place of choice to live, work and visit.	Improving the quality and safety of CBDs. Delivering a new District Plan that enables economic growth and enhances the use, development and protection of the District's natural and physical resources.	> District Plan
ECONOMY	The District has a resilient and diverse economy.	Implementing an economic development framework that facilitates a stronger and more diverse economy, and avoids unnecessary compliance costs.	> Economic development > Events > Emergency management
LOCAL DEMOCRACY	The community is well informed and engaged in the activities of Council.	Modernising the way the community engages with the Council and accesses Council services.	> Governance
FINANCIAL SUPPORT AND SERVICES	Council expenditure is cost-effective and sustainable. The Council is trusted and respected for its customer service and stewardship of the District.	Enhancing the quality of our financial reporting and management. Developing the internal skills, resources and service ethic to deliver the core services more effectively.	> Financial services > Customer services

DEFINED LEVELS OF SERVICE FOR OUR ACTIVITIES

What you can expect from the Council

KEY PERFORMANCE INDICATORS

HOW WE WILL REPORT OUR SUCCESS

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

RISK MANAGEMENT

HOW WE WILL MANAGE THE EVENTS THAT COULD STOP US DELIVERING

HEALTH, SAFETY AND WELLBEING

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

OTAGO PERFORMANCE IMPROVEMENT FRAMEWORK

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

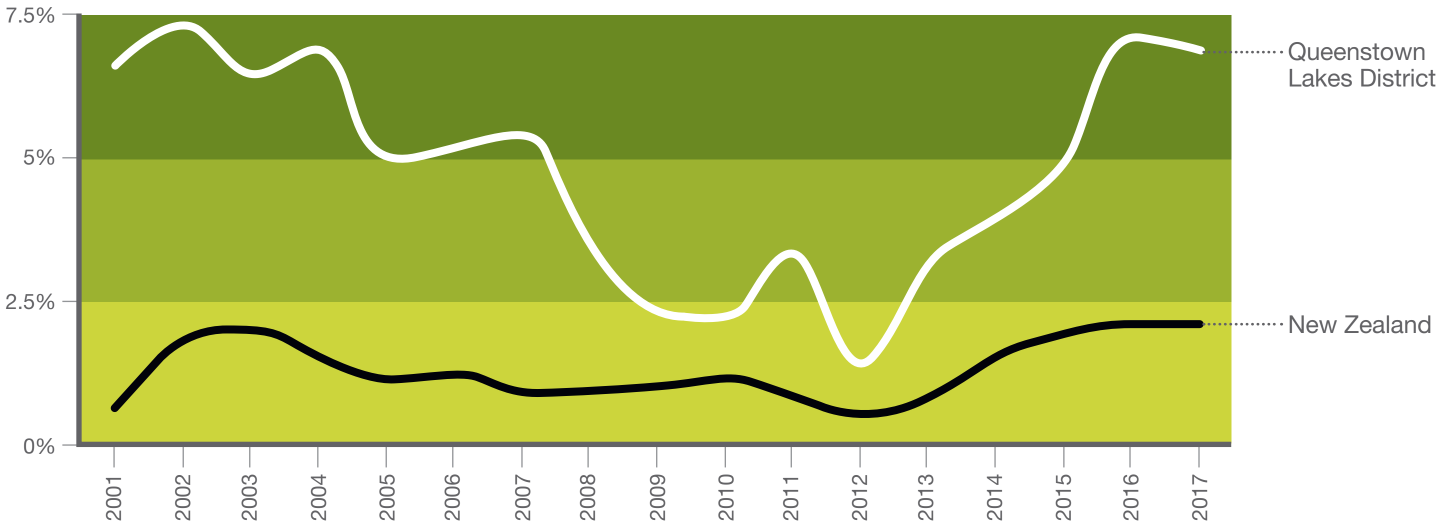
WHAT'S NEW?

POPULATION INCREASE

We are still officially the fastest growing district in New Zealand with a predicted population increase of 6.9%. Our district-wide population is approximately 38,048 and is anticipated to double over the next 30 years.

Current projections are anticipating that the Wanaka ward will grow at a slightly higher annual average rate at a 2.9% per annum increase through to 2028, compared to the 2.5% increase across the Wakatipu ward.

POPULATION GROWTH: 2000–2017



TACKLING GROWTH

The district's major role as a tourism destination, together with its rapid population growth presents unique challenges for us to tackle. Growth (both in resident and visitor numbers) remains the key challenge we are facing as a district and it's now more important than ever that we find innovative and collaborative ways to address it. Tourism is critical to the economic success of the district and as such, the challenges of visitor growth faced by our ratepayers are disproportionately high compared to other centres. The ratio of visitors to residents is currently 34 visitors to one resident, whereas the ratio in Auckland is one to one, and in Christchurch it's three to one. The solution to this unprecedented growth has been investment.

We have been working hard to meet this through increased investment in traffic solutions, increased services and resourcing (staff), investment in our environment (lake quality, wilding pines, recreation) and investment in our people (living and housing affordability, education and health). We continue to develop our teams to deliver great service, whilst building strong relationships with central government and regional partners to rise to the challenge.

We believe our community can't continue to shoulder the burden of increasing tourism and continue to lobby the government for some form of local visitor levy.

Furthermore, the growth challenge is one that is well understood by this Council. We acknowledge there is a need to plan for and manage this growth, and there is a variety of work programmes already underway, including a 2050 community vision process. The Council has heard the voices of concern regarding the day-to-day challenges residents face, and is responding to that through these various current and future work programmes. This planning is also a statutory requirement under Central Government's National Policy Statement on Urban Development Capacity, and ensures that we will deliver the necessary future thinking our situation demands.

SATISFACTION SURVEY

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

Some service areas have experienced a downturn in results, which is indicative of a community that is affected by the stresses of unprecedented growth and affordability issues. We received positive results around the public transport offering in Queenstown and the continued efforts to enforce freedom camping regulations effectively. We are working hard to respond to these matters as achieving great outcomes for our community is at the heart of everything we do.

This marks our final Resident and Ratepayer Survey Report. We are moving to a more progressive Quality of Life Survey that will enable us to start building clear profiles of the communities within our district, including their unique qualities, values and needs. We are looking to develop a data set that can be mined for useful insights and proactively shared with our community partners.

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

10YP PLAN PROCESS

The Ten Year Plan 2018 – 2028 is considered to be one of the largest and most ambitious plans that we have ever proposed. We realised that a dramatic shift was crucial. It was adopted by Full Council on 28 June 2018.

Fittingly its key theme is building momentum. The plan was well supported by the Community and mirrors the complex needs of a district that is experiencing significant levels of growth. Our vision for the future is vibrant communities, enduring landscapes and bold leadership.

The key big issues that were focused on include; Queenstown Town Centre Masterplan (scope and timing), funding for the Queenstown Town Centre Masterplan, Project Connect and libraries, Wanaka Masterplan, water (major capital programme) and funding of our smaller communities' water needs.

CASE STUDIES

1

PROJECT
Kawarau Falls Bridge
Partnership between NZTA and QLDC

COMMUNITY OUTCOMES

2

PROJECT
Town Centre Masterplan

COMMUNITY OUTCOMES

3

PROJECT
Wanaka Pool

COMMUNITY OUTCOMES

4

PROJECT
Pop-up library

COMMUNITY OUTCOMES

1

COUNCIL OUTCOME
Core Infrastructure and Services

PROJECT
Kawarau Falls Bridge
Partnership between NZTA and QLDC

WHAT HAS BEEN ACHIEVED?

Completion of the $22 million two lane Kawarau Falls Bridge has been part of a wider project to improve traffic flows in and around the Wakatipu basin. We worked together with the New Zealand Transport Agency and other key stakeholders to improve the southern gateway into Queenstown.

THE BENEFITS

The overall aim of creating improved road network connections to Queenstown Airport, Frankton Flats and central Queenstown was quickly realised once the bridge was fully open. This has led to less traffic congestion during peak times, especially during the ski season.

WHAT NEXT?

All partners have worked closely to complete a design for the old one lane bridge, which will be transformed into a pedestrian and cycle only walkway. This complements underpasses on both sides of the river. The new walkway will reference stories of mōkihi, which Māori used to get across O Te Rotu, Kawarau Falls on their journey to the West Coast for pounamu.

2

COUNCIL OUTCOME
Environment

PROJECT
Queenstown Town Centre Masterplan

WHAT HAS BEEN ACHIEVED?

The Queenstown Town Centre Masterplan was built on partnerships with agencies, stakeholders and the community. QLDC worked collaboratively to bring together a highly capable team of stakeholders and service providers to analyse, understand and work together with the community to address the Town Centre's challenges.

THE BENEFITS

Community involvement has been an integral part of developing the Queenstown Town Centre Masterplan. By engaging early and often, the project team were able to shape and refine the Masterplan with key stakeholders. As a result the programme has gained strong community support.

WHAT NEXT?

Now that a broad plan has been developed, it's time to move into the detailed planning phase. The 35 year, $385 million programme supports a vision for a people-focused, thriving and vibrant heart of Queenstown, now and into the future.

3

COUNCIL OUTCOME
Community Services and Facilities

PROJECT
Wanaka Pool

WHAT HAS BEEN ACHIEVED?

Following completion of the Wanaka Recreation Centre last year, the adjoining $12.28 million swimming pool was opened to the public in June. The aquatic centre includes an eight-lane, 25 metre lap pool, a learners' pool and a spa pool. Seismic strengthening to the old pool at Plantation Road, which was built in 1992, enabled QLDC to continue offering aquatic facilities until hand-over to the new site at Three Parks.

THE BENEFITS

The new pool has potential to support everyone in the area, from young children to competitive swimmers. The accessible design, with ramps into the lap and learners' pool means that the community can have complete access to both pools. The 20m by 10m learners' pool is heated to about 32-33 degrees celsius and has a shallow area for toddlers to play. The warmth of the pool also means it can be used for therapeutic purposes. There are 'learn to swim' sessions in the new pool, with over 300 children and 30 adults involved.

WHAT NEXT?

Along with the Recreation Centre, the pool will continue to develop as the population grows and demands change. We will be undertaking a Wanaka Recreation Centre Masterplan in the 2018-19 year. This plan will consider and address how the Recreation Centre and green spaces might develop in the future.

Image credit: Andy Brown

4

COUNCIL OUTCOME
Local Democracy

PROJECT
Pop-up library

WHAT HAS BEEN ACHIEVED?

Following significant residental growth and the relocation of schools and businesses to Frankton and surrounding communities, it was becoming clear that there was a need for library services in the area. Planning for a longer-term library facility got underway, but it was decided to trial a pop-up library at the Queenstown Events Centre as an interim solution.

THE BENEFITS

By providing a pop-up library in Frankton, in an existing community facility, we have been able to immediately meet demand for local library services. The pop-up library has been so successful it has been issuing on average one book every two minutes.

WHAT NEXT?

Expressions of Interest have been invited for the provision of library services in Frankton. In approaching the market, we hope to identify suitable leased premises that are available in the near term on an affordable basis. By taking a short-term, leased library space at Frankton we will have the opportunity to test design, layouts and technologies whilst refining a long-term model for a Frankton Library Hub.

INFRASTRUCTURE

OUR LONG TERM COUNCIL OUTCOME IS TO PROVIDE:

High performing infrastructure and services that:

- meet current and future user needs and are fit for purpose;
- are cost effective and efficiently managed on a full life-cycle basis; and
- are affordable for the district.

WHY SHOULD YOU CARE?

The Infrastructure Asset Management Strategy, adopted 28 June 2018, details the challenges that will impact the district over the next 30 years, as they relate to transport, water, wastewater, stormwater and solid waste. By covering 30 years the strategy aims to accommodate both the needs of current and future generations by providing good quality, cost effective infrastructure that responds to the following:

> a demanding natural environment;

> growth in population and visitor numbers;

> the complexity of our built environment;

> our challenging economy; and

> legislative changes.

WHAT WE DELIVER

We will deliver this outcome through the following activities:

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

Collectively known as 3 Waters

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

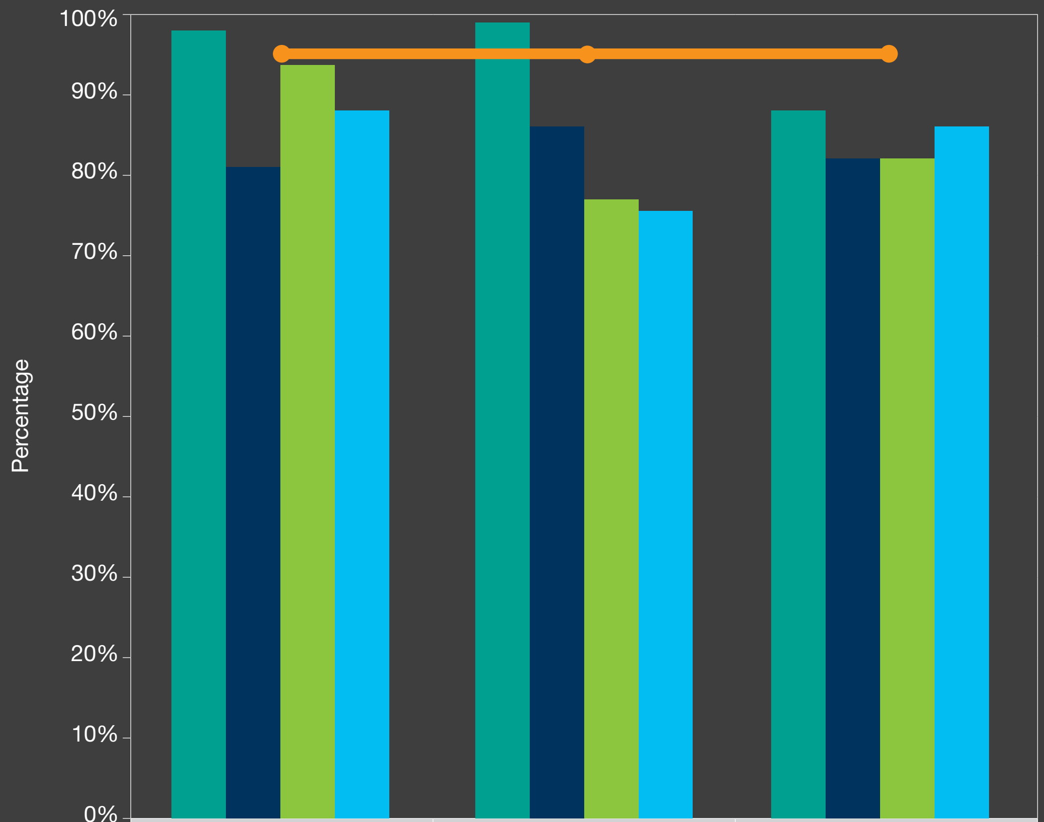
Affordability

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

Year	Result	Target	Commentary
A) OPERATIONAL EXPENDITURE			
2015/16	-3.3%	Range of 0% and -5%.	Both roading and solid waste contracts were slightly over budget this financial year but were within contract budget tolerances. Solid waste overspend was also largely offset by additional waste income. Total budget tolerances were exceeded due to project costs that could not be captialised being reclassified from capex to opex. This was made up of a number of smaller project reclassifications as well as a $1.26m for the QAC park and ride project.
2016/17	-0.3%		
2017/18	-20.2%		
B) CAPITAL EXPENDITURE			
2015/16	10.2%	Range of 0% and -10%	Significant savings were achieved through the delivery of the Hawthorne Drive (Eastern Access Road) project which was successfully completed during 2017-18. Project Shotover disposal field, currently in construction, is also being delivered under budget due to efficiencies realised through design and construction. Roading renewals and minor improvements budgets were fully utilised. LED upgrades, parking and transport strategies and Queenstown Centre implementation budgets were not fully utilised s the focus for the period was on business case development and planning for the Ten Year Plan. Water supply renewal projects were also slightly under target as priority was given to supporting the Kawarau Falls Bridge upgrade.
2016/17	-12.4%		
2017/18	21.8%		

RESPONSE TIMES

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



	2015/16	2016/17	2017/18
3 Waters	96%	98%	86%
Solid waste	79%	85%	82%
Roading	94%	77%	82%
Pollution	87%	75%	85%
Target	95%	95%	95%

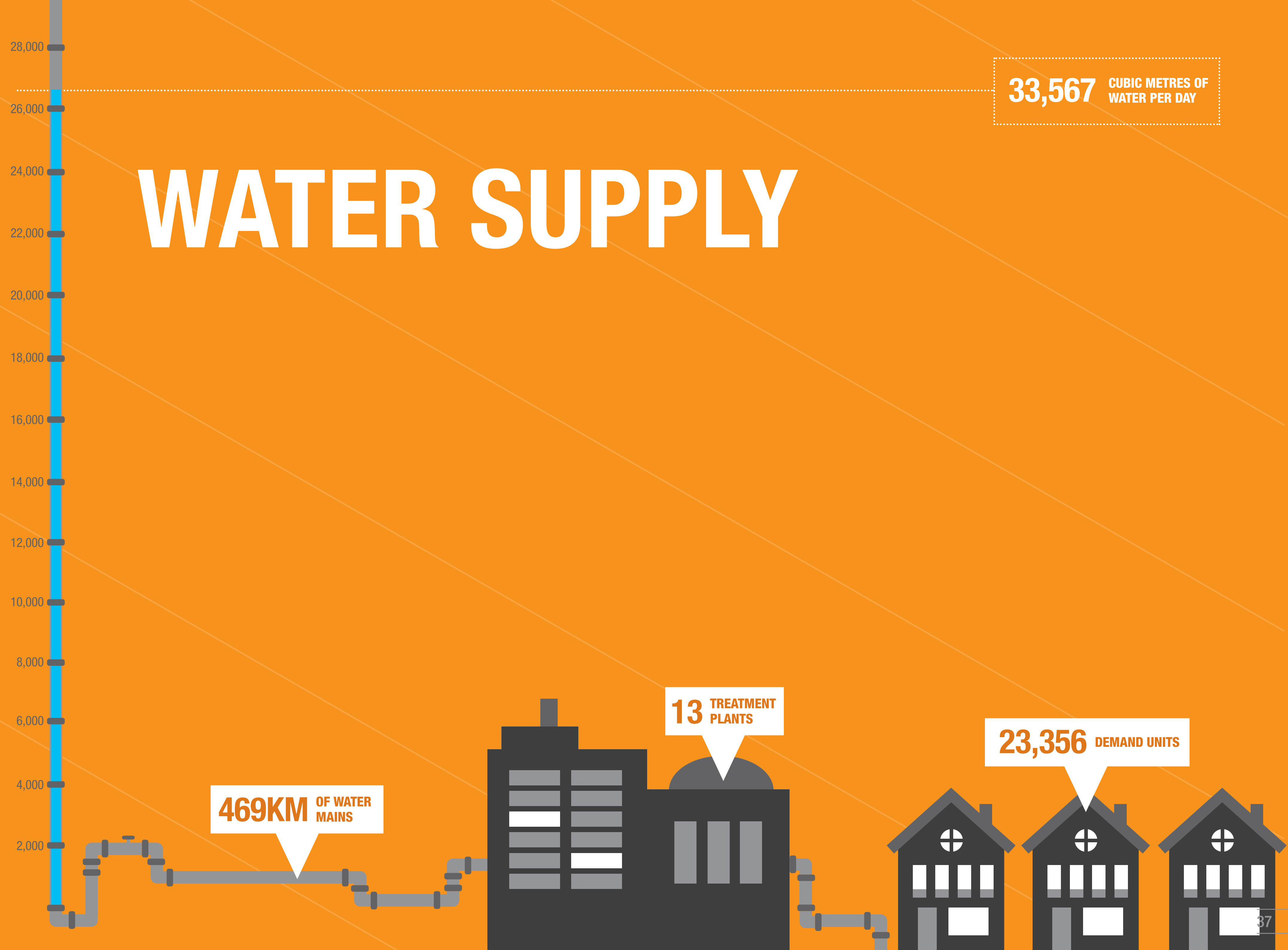
Emphasis on the 95% target has been a focus this year, resulting in improvements for roading and pollution on the previous year.

3 Waters has seen a marked decrease to 86% as a result of the district-wide maintenance contract (excluding Lake Hayes) not meeting targets for the first part of the year. Significant effort was put into correcting this, with the contract back on target in the last three months of the financial year.

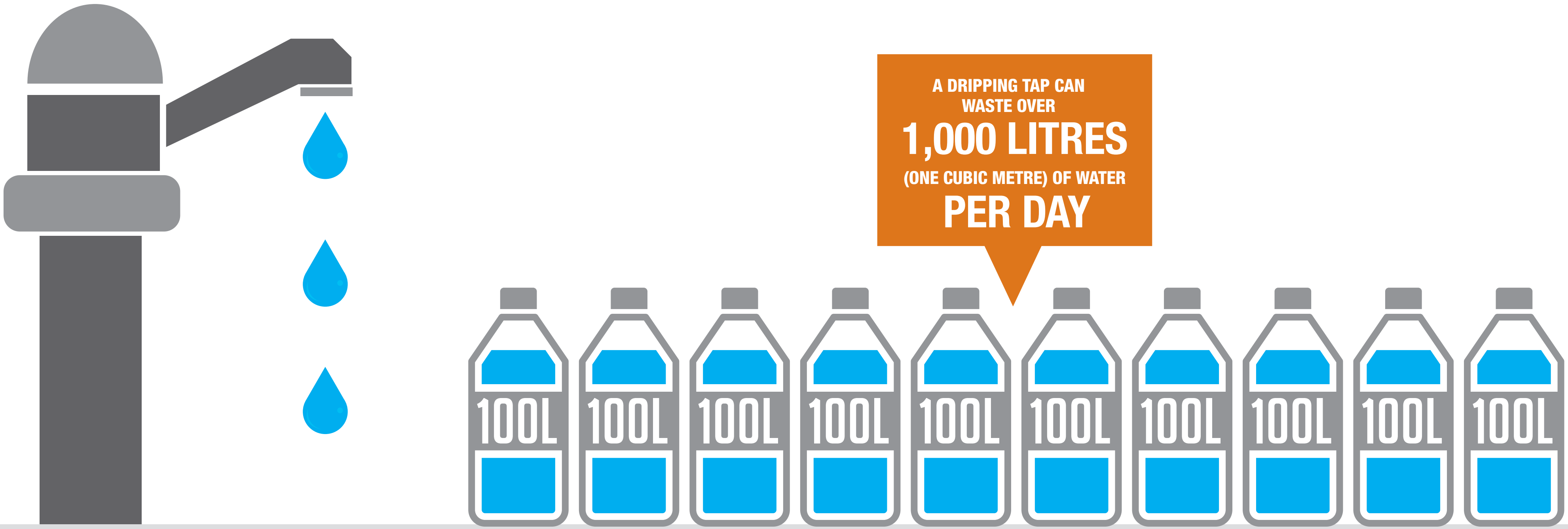
Solid waste and pollution RFS both suffered from short term administrative and technology issues, which impacted their targets. These matters have now been resolved.

Furthermore, the roading team has received a high number of new infrastructure requests via the RFS system. A new process for capturing these is now under development so as to retain the focus of this KPI on general maintenance RFS. In all other respects, the district-wide roading maintenance is on target.

WATER SUPPLY



WHY SHOULD YOU CARE?



ABOUT WATER SUPPLY

QLDC is responsible for approximately 469km of water mains and 13 treatment plants serving approximately 23,356 demand units that between them use a total of approximately 33,567 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 2015-2025

Our 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.

In light of the water supply contamination crisis in Havelock North, we have assessed all risks for the districts Council water schemes. Based on recommendations from Public Health South and our own assessments, we made the decision to chlorinate all council water supplies.

We are also progressing work 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 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.

HOW MUCH IT COST

Breakdown of service cost

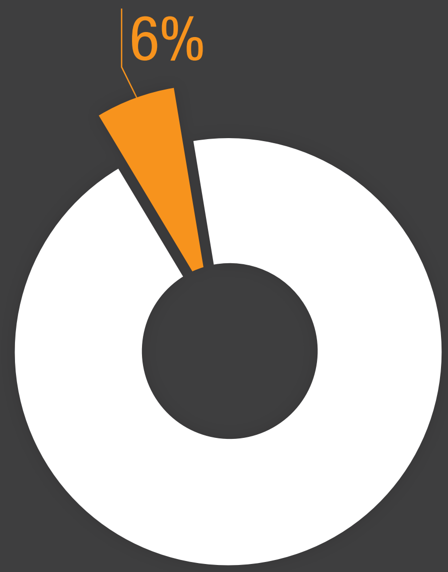
WATER SUPPLY	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	6	11	5
Targeted rates	7,198	7,622	7,573
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	62	65	89
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	-	-	-
Total sources of operating funding	7,266	7,698	7,667
Applications of operating funding			
Payments to staff and suppliers	4,388	4,601	4,691
Finance costs	1,072	1,190	572
Internal charges applied	740	748	715
Other operating funding applications	-	-	
Total applications of operating funding	6,200	6,539	5,978
Surplus/(deficit) of operating funding	**1,066**	**1,159**	**1,689**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	907	907	2,933
Increase/(decrease) in debt	4,111	(185)	4,925
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	5,018	722	7,858
Applications of capital funding			
Capital expenditure			
- to meet additional demand	2,458	164	4,466
- to replace existing assets	1,303	1,439	2,406
- to improve the level of service	3,193	229	1,530
Increase/(decrease) in reserves	(870)	49	1,145
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	6,084	1,881	9,547
Surplus/(deficit) of capital funding	**(1,066)**	**(1,159)**	**(1,689)**
Funding balance	-	-	-

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
No major variances.	$3.6m for the Kawarau Falls bridge water supply pipeline.	Timing of the Hawthorne Drive project (completed 2017/18) along with the Kawarau Falls bridge water supply pipeline $3.6m.

Summary of internal borrowings

Activity	30 June 2018 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	23,158	981	5,906	572

AS A PERCENTAGE OF TOTAL EXPENDITURE



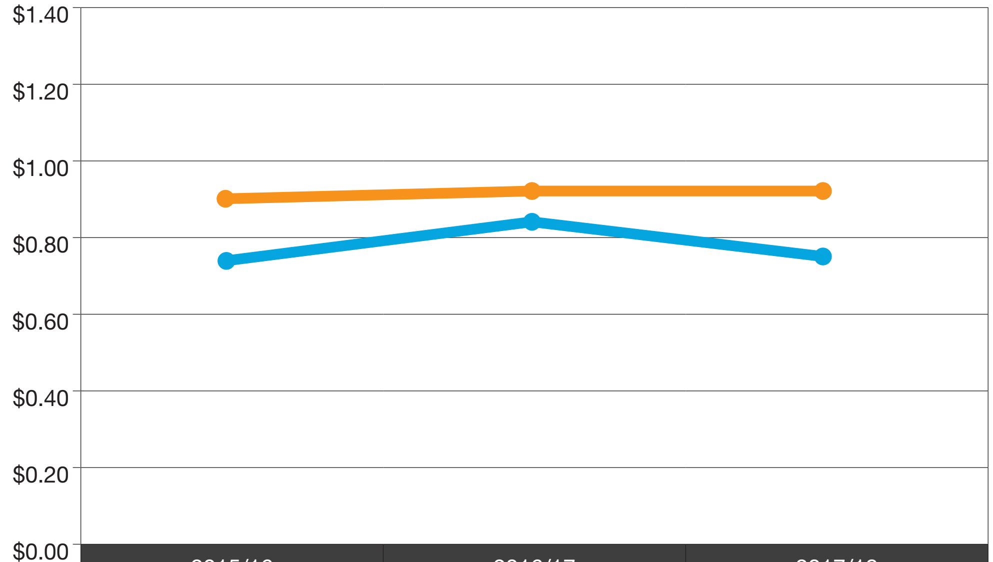
Total operating expenditure of $**100,194,000** (excluding depreciation)

Water supply expenditure of $**5,978,000**

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Annual cost of water supplied per cubic metre



	2015/16	2016/17	2017/18
Cost per cubic metre	$0.73	$0.84	$0.74
Target	<$0.90	<$0.92*	<$0.94*

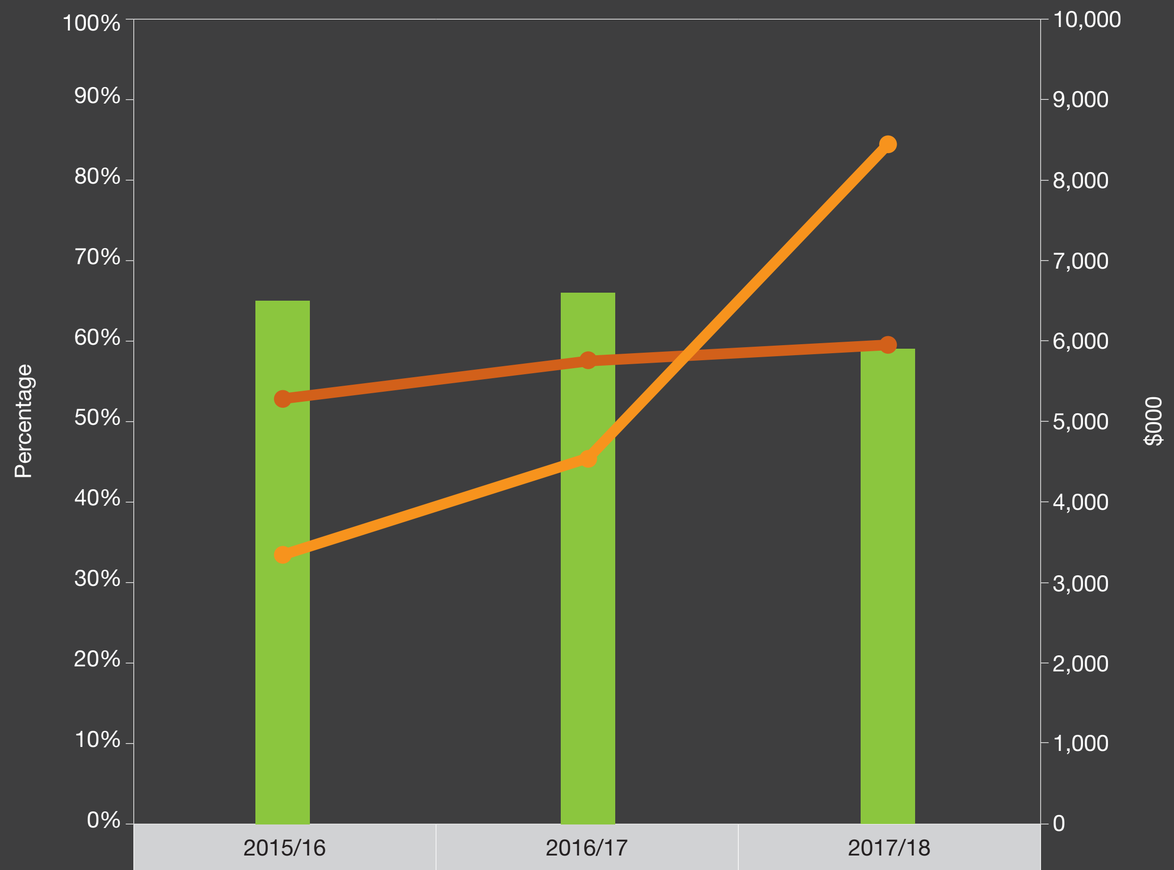
The cost of water per cubic metre decreased this year due to a significant increase in water usage over the summer period (approximately 20%). The higher water usage, and a relatively low variable cost component has seen the cost per unit reduce.

The result is still well within our threshold of 0.94c per cubic metre.

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

OVERALL PERFORMANCE OF WATER SUPPLY

Impact of expenditure on service performance



	2015/16	2016/17	2017/18
Satisfaction with water supply	65%	66%	59%
Opex	5,261	5,760	5,978
Capex	3,327	4,528	8,402

Satisfaction with water supply has reduced this year by 7%. It is likely that QLDC's decision to permanently chlorinate water supplies across the district has negatively influenced perception of performance in this area.

The significant capex expenditure for this year was the Kawarau Falls bridge water supply pipeline.

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

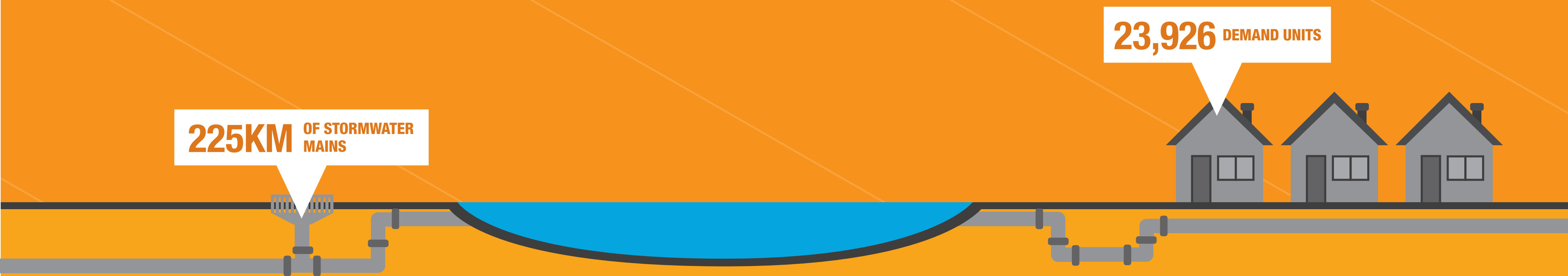
DIA MEASURES

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

Water Supply	2017/18 Target	2017/18 Result	Commentary
Percentage of water lost from each municipal water reticulation network.	<40%	19%	The district is significantly below the benchmark set, demonstrating a commitment to water reticulation network management efficiency.
Median response time to attend to urgent and non urgent issues resulting from municipal water reticulation network faults and unplanned interruptions: **A)** between the time of notification and the time when service personnel reach the site; and **B)** between the time of notification and resolution of the fault or interruption	Urgent **A)** <60 mins **B)** <4 hours Non-urgent **A)** <24 hours **B)** <7 days	Urgent **A)** 19.99 minutes **B)** 7.54 hours Non-urgent **A)** 3.32 hours **B)** 1.95 days	Previously, we have only been able to report urgent water supply issues and as such, there was only a target for urgent issues. As this year we are able to report on urgent and non-urgent water supply issues, we have used the urgent target from the 2015-25 TYP and the non-urgent target from the 2018-28 TYP.
Number of complaints per 1000 connections to a public water reticulation network about: **A)** the clarity of drinking water; **B)** the taste of drinking water; **C)** the odour of drinking water; **D)** the pressure or flow of drinking water; **E)** the continuity of supply of drinking water; **F)** the way in which a local government organisation responds to issues with a water supply.	<5 per 1000 connections	12 per 1000 connections	There were eight water pressure complaints per 1000 connections, and four continuity of water supply of drinking water complaints per 1000 connections recorded this year. This measure has been reviewed in the 2018-28 TYP and targets for each complaint type have been set instead of an overall target, which better reflects the DIA guidelines.
Average consumption of water per person per day.	<590L/person/day	577L	The district is below the benchmark set, demonstrating a commitment to water supply efficiency.

Water Supply	2017/18 Target	2017/18 Result	Commentary
Compliance of each municipal water supply with the Drinking Water Standards New Zealand (DWSNZ) for protecting public health, specifically:	Full compliance by 2018 (combined)	Result for 2017/18 not yet available. Result for 2016/17 67%	The 67% compliance is an increase from 55% in 2015/16. Further improvements have been made in 2017/18, which will continue to improve compliance for the 2017/18 year. QLDC tests for compliance within our treatment plants and distribution systems. Treatment plants include the water sources (rivers, aquifers) and the treatment plants to remove the bugs from these sources. Distribution systems include the reservoirs and pipes that store and move the water around the systems once treated. This measure was reviewed in the 2018-28 TYP and targets have been amended to full compliance by 2028. Significant investment is planned for new and existing water supply facilities in order to comply to the New Zealand Drinking Water Standards by 2028.
A) bacteriological compliance (DWSNZ, part 4); and	Full compliance by 2018	Result for 2017/18 not yet available. Result for 2016/17 93%	Bacteriological compliance was achieved in 2016/17 for the Hawea treatment plant and distribution system, the Wanaka Western and Beacon Point treatment plants and the Wanaka Airport distribution system. The Two Mile and Kelvin Heights treatment plants remained non-compliant in 2016/17. Of the 28 treatment plants and distribution systems, 26 were compliant with the bacterial requirements of the Drinking Water Standards New Zealand (DWSNZ). The non-compliant treatment plants were: • Two Mile – non-compliant due to turbidity failures • Kelvin Heights – non-compliant due to turbidity failures These treatment plants have now been changed to monitoring compliance criterion 1 and therefore expected to comply in 2017/18. All distribution systems were compliant.
B) protozoal compliance (DWSNZ, part 5).	Full compliance by 2018	Result for 2017/18 not yet available. Result for 2016/17 14%	Of the 14 distribution systems, two were compliant with the protozoal requirements of the Drinking Water Standards New Zealand (DWSNZ). The non-compliant distribution centres were: • Two Mile– capital investment is required to comply • Kelvin Heights – high turbidity events lead to periods of non-compliance • Arrowtown - high turbidity events lead to periods of non-compliance • 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 – disinfection plant upgrade completed in 2016/17 • 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.

STORMWATER

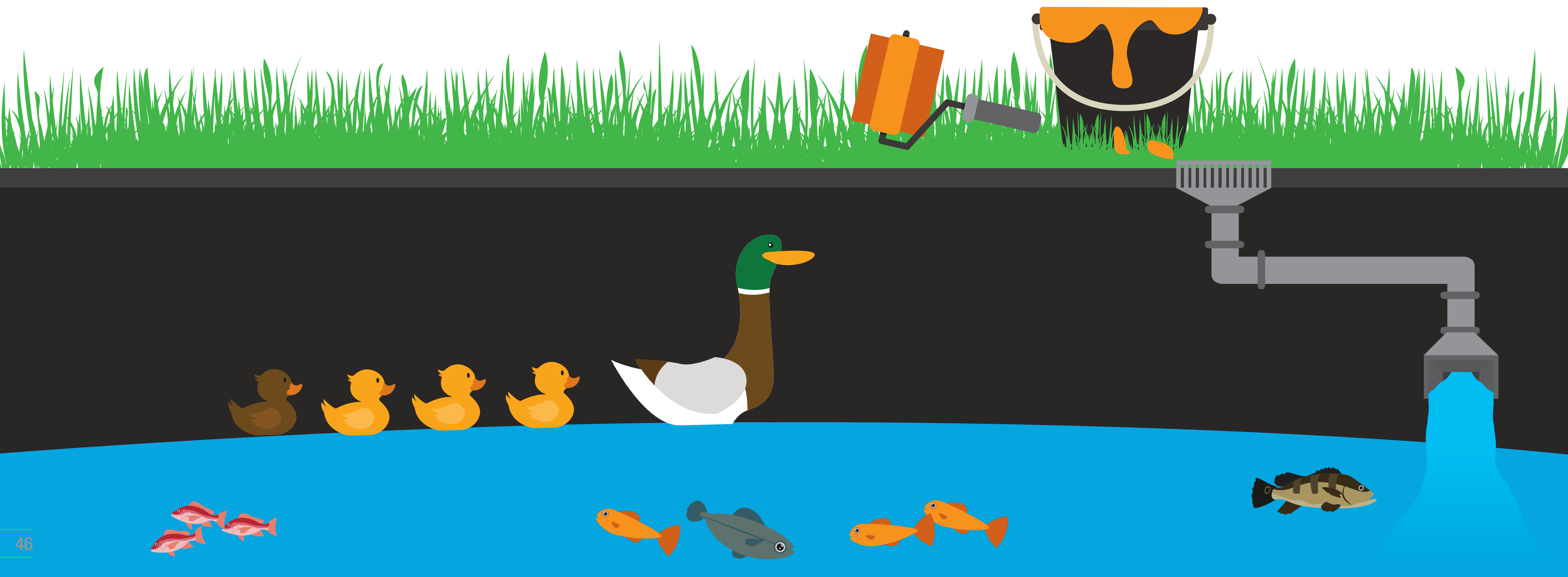


WHY SHOULD YOU CARE?

STORMWATER IS A LEADING CAUSE OF

WATER POLLUTION

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



ABOUT STORMWATER

QLDC is responsible for approximately 225km of stormwater mains, all with an average age of 20 years, and a number of interceptors (basic stormwater separators) serving around 23,926 properties. The system caters for an average ten year flood event.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

Our catchment management plans are under continuous review along with risk assessments to identify priority flooding issues and mitigation projects included in the 2018-2028 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.

HOW MUCH IT COST

Breakdown of service cost

STORMWATER	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	1,942	1,797	1,530
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	-	-	-
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	390	411	57
Total sources of operating funding	2,332	2,208	1,587
Applications of operating funding			
Payments to staff and suppliers	367	384	664
Finance costs	503	638	214
Internal charges applied	268	271	55
Other operating funding applications	-	-	-
Total applications of operating funding	1,138	1,293	933
Surplus/(deficit) of operating funding	**1,194**	**915**	**654**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	313	313	571
Increase/(decrease) in debt	4,850	(1,024)	936
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	5,163	(711)	1,507
Applications of capital funding			
Capital expenditure			
- to meet additional demand	6,168	158	2,430
- to replace existing assets	390	500	106
- to improve the level of service	431	32	550
Increase/(decrease) in reserves	(632)	(486)	(925)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	6,357	204	2,161
Surplus/(deficit) of capital funding	**(1,194)**	**(915)**	**(654)**
Funding balance	-	-	-

Significant cost of services variances

Historically low budget. $0.26m stormwater mud tank clearing added to 2017/18 Veolia contract.

Significant capital expenditure

69% of the capital expenditure ($2.1m) was for completion of the Hawthorne Drive stormwater reticulation works.

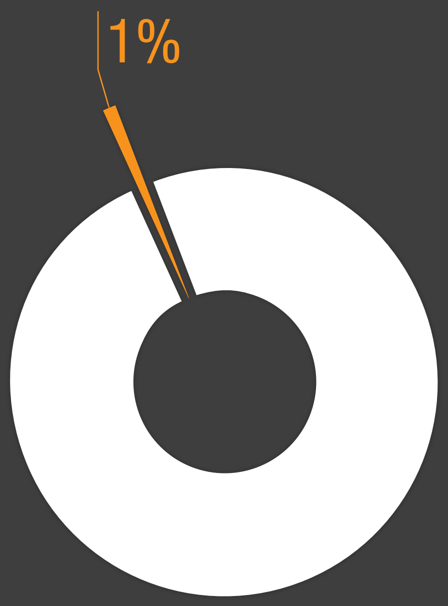
Significant capital expenditure variances

The major variance relates to the timing of completion for the Hawthorne Drive project which was completed during 2017/18.

Summary of internal borrowings

Activity	30 June 2018 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	7,774	1,216	2,151	214

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of $**100,194,000** (excluding depreciation)

Stormwater expenditure of **$933,000**

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

Year	No. of flood events	Target <2 per year	Commentary
2015/16	0	<2 per year	There were no flooding events to habitable floors this year.
2016/17	0	<2 per year	There were no flooding events to habitable floors this year.
2017/18	0	<2 per year	There were no flooding events to habitable floors this year.

DIA MEASURES

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

Stormwater	2017/18 Target	2017/18 Result	Commentary
Number of flooding events each year to habitable floors per 1000 properties resulting from overflows from a municipal storm water system.	<2 per 1000 properties	0 per 1000 properties	The district is significantly below the benchmark set by the DIA, demonstrating best practice stormwater management.
Compliance with resource consents for discharge from a municipal storm water system, measured by the number of: **A)** abatement notices; and **B)** infringement notices; and **C)** enforcement orders; and **D)** successful prosecutions.	100%	100%	The district meets the benchmark set, demonstrating good monitoring and enforcement practice.
Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in a municipal storm water system.	<3 hours	0 hours	The district is comfortably below the benchmark set by the DIA, demonstrating a timely and effective response to urgent stormwater issues.
Number of complaints per 1000 properties connected to a municipal storm water system about: **A)** faults (including blockages) with a municipal storm water system.	<5 per 1000 properties	11.3 per 1,000 properties	The majority of the issues identified were associated with blocked mud sumps in roadways. To address this we will increase contractor resourcing in this area to allow more frequent maintenance of the mud tanks. The additional stormwater resource is planned to be added to the contract in Quarter Four 2018/19. There have also been complaints raised regarding Wanaka residential developments. QLDC is committed to working on solutions with ORC and DOC to address these stormwater challenges.

WASTEWATER


22,001 DEMAND UNITS
421KM OF WASTEWATER MAINS
4 TREATMENT PLANTS
62 PUMP STATIONS
10,500 CUBIC METRES OF WASTEWATER PER DAY

WHY SHOULD YOU CARE?

ABOUT WASTEWATER

QLDC is responsible for approximately 421km of wastewater mains, 62 pump stations and four treatment plants serving approximately 22,001 demand units that between them discharge a total of approximately 10,5000 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 2015-2025

Our 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 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.

Project Shotover was completed on schedule and budget with the treatment plant becoming operational in February 2017. Land disposal (stage two) has commenced, changing the discharge from the Shotover River directly to land at the Shotover Delta. Project Shotover Stage 2 has a planned completion date of December 2018, with planting planned for January/February 2019.

HOW MUCH IT COST

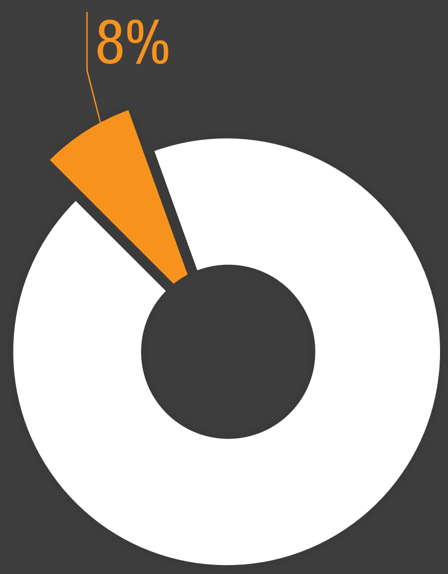
Breakdown of service cost

WASTEWATER	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	318	273	270
Targeted rates	8,145	10,872	10,802
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	67	70	211
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	-	-	9
Total sources of operating funding	8,530	11,215	11,292
Applications of operating funding			
Payments to staff and suppliers	4,006	6,060	5,796
Finance costs	2,669	3,065	1,317
Internal charges applied	822	831	1,062
Other operating funding applications	-	-	-
Total applications of operating funding	7,497	9,956	8,175
Surplus/(deficit) of operating funding	**1,033**	**1,259**	**3,117**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	1,864	1,864	5,563
Increase/(decrease) in debt	6,055	7,176	5,067
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	7,919	9,040	10,630
Applications of capital funding			
Capital expenditure			
- to meet additional demand	3,623	4,926	4,400
- to replace existing assets	1,048	1,036	2,893
- to improve the level of service	5,605	5,782	3,714
Increase/(decrease) in reserves	(1,324)	(1,445)	2,740
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	8,952	10,299	13,747
Surplus/(deficit) of capital funding	**(1,033)**	**(1,259)**	**(3,117)**
Funding balance	-	-	-

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Lower finance costs due to timing of capital spend.	$3.6m for the Kawarau Falls bridge wastewater pipeline and $2.7m for Project Shotover disposal field.	Timing of the Hawthorne Drive project (completed 2017/18) along with the Kawarau Falls bridge wastewater pipeline $3.6m.

Summary of internal borrowings				
Activity	30 June 2018 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	46,949	2,537	7,603	1,317

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of $**100,194,000** (excluding depreciation)

Wastewater expenditure of **$8,175,000**

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Annual cost of wastewater

	2015/16	2016/17	2017/18
Cost per cubic metre	$1.96	$2.28	$2.64
Target	<$2.25	<$2.27	<$2.30

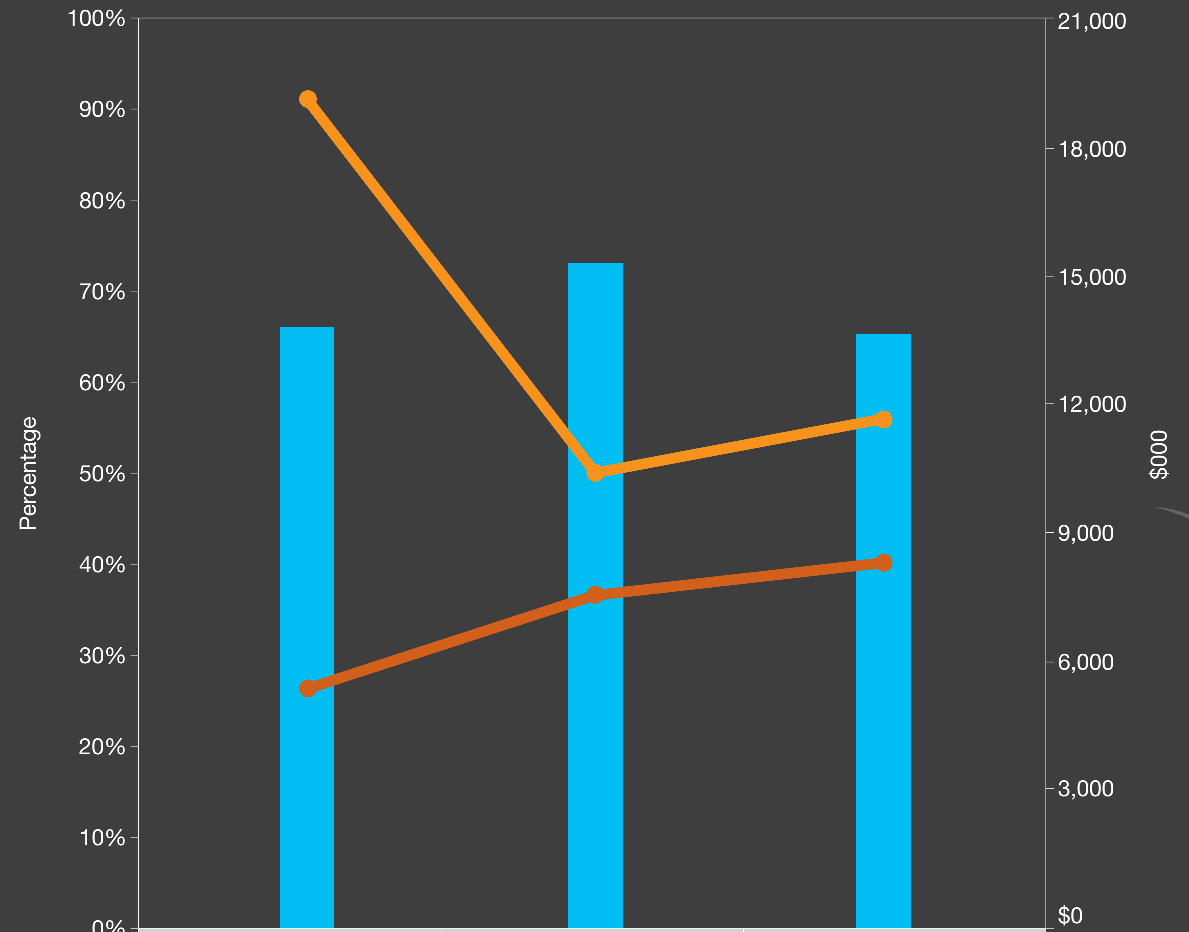
KPI: Median response time to attend to sewage overflows resulting from blockages or other faults of a municipal sewerage system:
a) between the time of notification and the time when service personnel reach the site; and
b) between the time of notification and resolution of the blockage or other fault.

	Year	Result	Target	Commentary
A)	2015/16	7.73 minutes	60 minutes	QLDC continues to achieve the targets set by a considerable margin.
B)		165.25 minutes	240 minutes	
A)	2016/17	5.0 minutes	60 minutes	
B)		135 minutes	240 minutes	
A)	2017/18	22 minutes	60 minutes	
B)		151 minutes	240 minutes	

The target set in 2015 did not allow for the growth that has been experienced in the district, which has caused costs associated with wastwater treatment to rise.

OVERALL PERFORMANCE OF WASTEWATER

Impact of expenditure on service performance



	2015/2016	2016/2017	2017/2018
Satisfaction with wastewater	66%	73%	65%
Opex	5,649	7,256	8,175
Capex	19,241	9,917	11,007

Satisfaction with wastewater services reduced by 8% this year, largely reflecting a shift in attitudes to a more neutral position.

The significant capital expenditure for this year included the Kawarau Falls bridge wastewater pipeline and the Project Shotover disposal field.

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

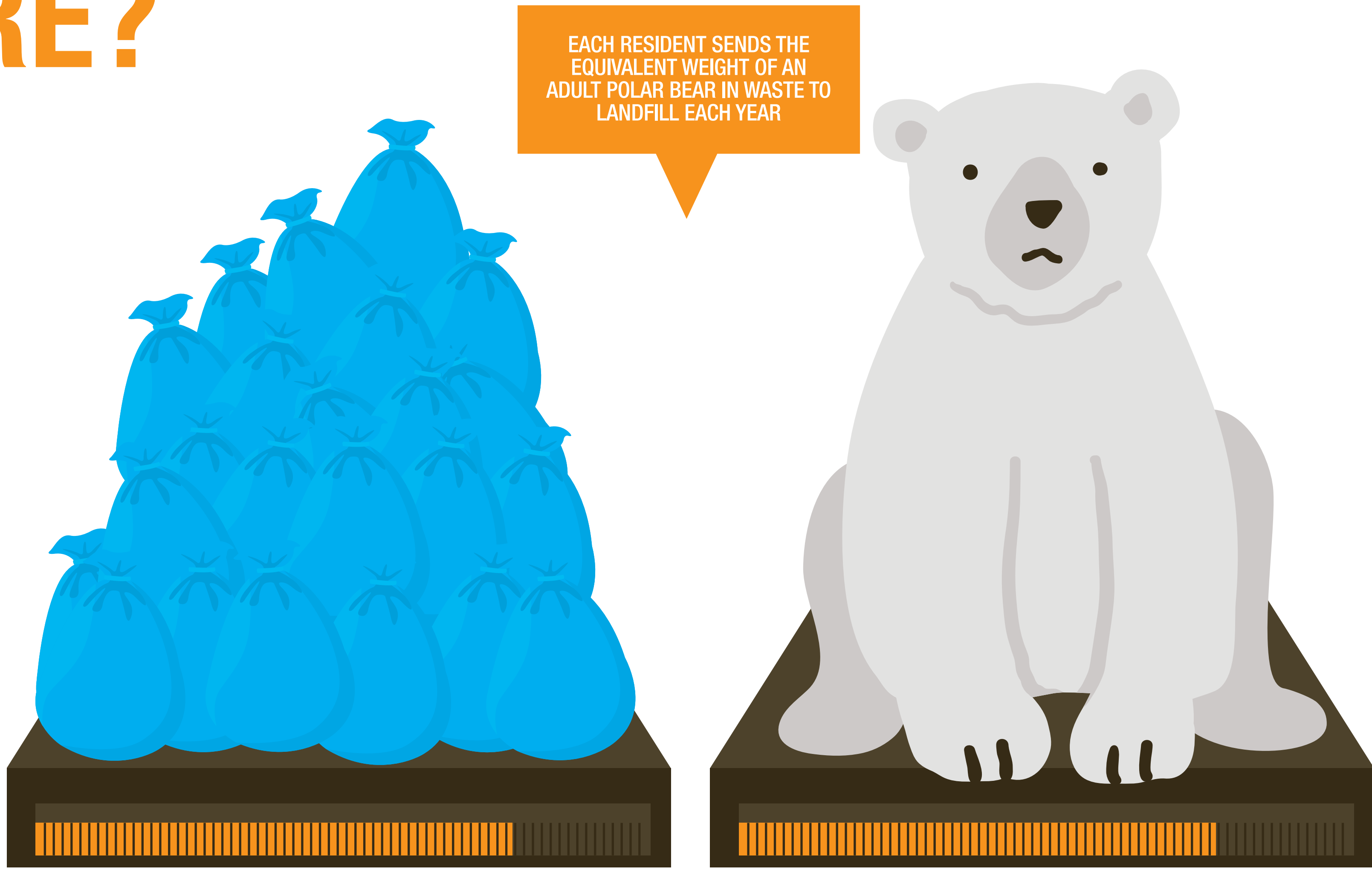
DIA MEASURES

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

Wastewater	2017/18 Target	2017/18 Result	Commentary
Annual number of dry weather overflows from a municipal sewerage system per 1000 sewerage connections.	<3 per 1000 connections	2.5 per 1000 connections	The district is below the benchmark set, demonstrating a commitment to wastewater management.
Compliance with resource consents for discharge to air, land, or water from a municipal wastewater system, measured by the number of: **A)** abatement notices; **B)** infringement notices; **C)** enforcement orders; **D)** successful prosecutions.	100%	94%	In 2017/18 QLDC was prosecuted for an unauthorised discharge (i.e. no consent) of wastewater into the Kawarau River, as a result of a wastewater network overflow. Consent has now been applied for which should be finalised in the next 6-12 months.
Number of complaints per 1000 properties connected to a municipal wastewater system about: **A)** odour **B)** faults **C)** blockages **D)** the territorial authority's response to issues with its sewerage system	<5 per 1000 properties	7.5 per 1000 properties	A significant number of service requests were received in the period relating to pressure issues as a result of the presence of Lake Algae (Lindavia Intermedia) in the source water. These issues are beyond the control of the network operators and are the major contributor to this target being exceeded. The existing treatment systems are not capable of removing the algae. The 2018-28 TYP includes provisions for new treatment plants to address this issue within the next five years.

WASTE MANAGEMENT

WHY SHOULD YOU CARE?



ABOUT WASTE MANAGEMENT

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.

We have recently reviewed the Waste Management and Minimisation Plan (WMMP). The new plan was 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 2015-2025

The six-yearly review of QLDC's Waste Minimisation and Management Plan was undertaken and consulted on with the community. The consultation process received 200 submissions and new community-focused initiatives were included in the final plan as a result of the consultation. The new plan will be implemented from 2018/19.

Focusing on waste reduction, we have continued to work with Wanaka Wastebusters to support the delivery of the Enviroschools and Dr Compost programmes. Kate Meads (aka The Nappy Lady) has also held waste-free parenting, food waste and business waste focused workshops.

Colour-sorted bottle banks have been installed in public spaces in the Wakatipu. These services enable full ‘bottle-to-bottle’ recycling of glass. Glass bottles in the kerbside collection service continue to be sent to landfill.

Project Groundswell proposed a solar drying facility to process Wanaka’s sludge into biosolids for land application. Further detailed analysis was completed, however increased costs made the proposal untenable and the project was terminated.

A consented vermicomposting (worms) trial to assess long term viability for managing biosolids for beneficial reuse was initiated at the Victoria Flats Landfill site at the beginning of 2018. A range of wastes are being utilised in the trial including; biosolids, paper, cardboard, food waste and greenwaste. The small-scale trial is expected to run for 12 months.

New public place recycling, litter and cigarette butt bins have been installed across the district with a focus on improved signage as per national guidelines.

HOW MUCH IT COST

Breakdown of service cost

WASTE MANAGEMENT	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	2,589	2,619	2,569
Subsidies & grants for operating expenditure	42	43	119
Fees & charges	4,333	4,524	7,165
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	-	-	161
Total sources of operating funding	6,964	7,186	10,014
Applications of operating funding			
Payments to staff and suppliers	6,039	6,303	9,378
Finance costs	193	146	87
Internal charges applied	608	615	1,283
Other operating funding applications	-	-	-
Total applications of operating funding	6,840	7,064	10,748
Surplus/(deficit) of operating funding	**124**	**122**	**(734)**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(1,178)	(389)	(619)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(1,178)	(389)	(619)
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	76
- to replace existing assets	-	-	179
- to improve the level of service	-	-	145
Increase/(decrease) in reserves	(1,054)	(267)	(1,753)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	(1,054)	(267)	(1,353)
Surplus/(deficit) of capital funding	**(124)**	**(122)**	**734**
Funding balance	-	-	-

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure
$0.7m increased obligation for carbon credits & Emissions Trading Scheme price per unit. $0.9m landfill costs due to high growth/construction waste.	Not applicable	Not applicable

Summary of internal borrowings

Activity	30 June 2018 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	2,167	1,063	444	87

AS A PERCENTAGE OF TOTAL EXPENDITURE

Total operating expenditure of $**100,194,000** (excluding depreciation)

Waste Management expenditure of **$10,748,000**

HOW WE PERFORMED

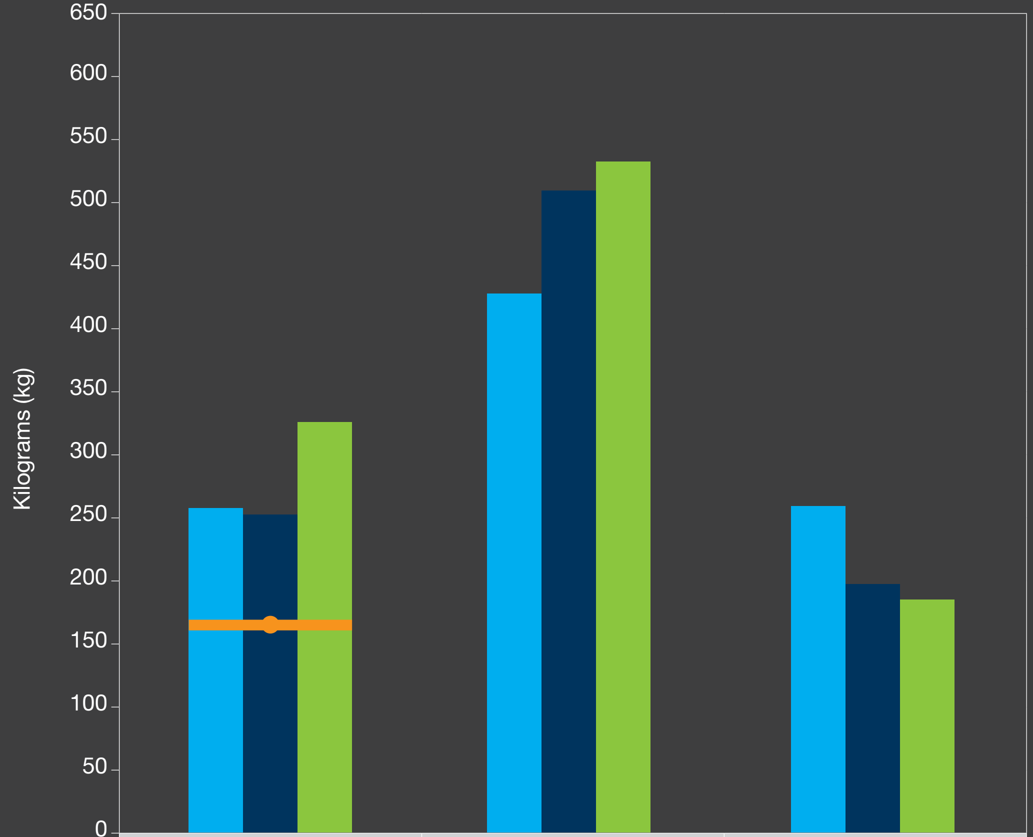
HOW THE COUNCIL PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

KPI: Satisfaction with street cleaning

Year	Result	Target	Commentary
2015/16	66%	>75%	Satisfaction appears to have dropped this year and focus will be required to understand areas of dissatisfaction. Refer to page 27 for further detail about the survey model used.
2016/17	69%	>80%	Satisfaction results have increased slightly this year.
2017/18	60%	>85%	Satisfaction results have reduced by 9% this year, with neutral results and unsatisfied results seeing increases of 5% and 4% respectively. Focus will be required to understand areas of dissatisfaction.

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

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



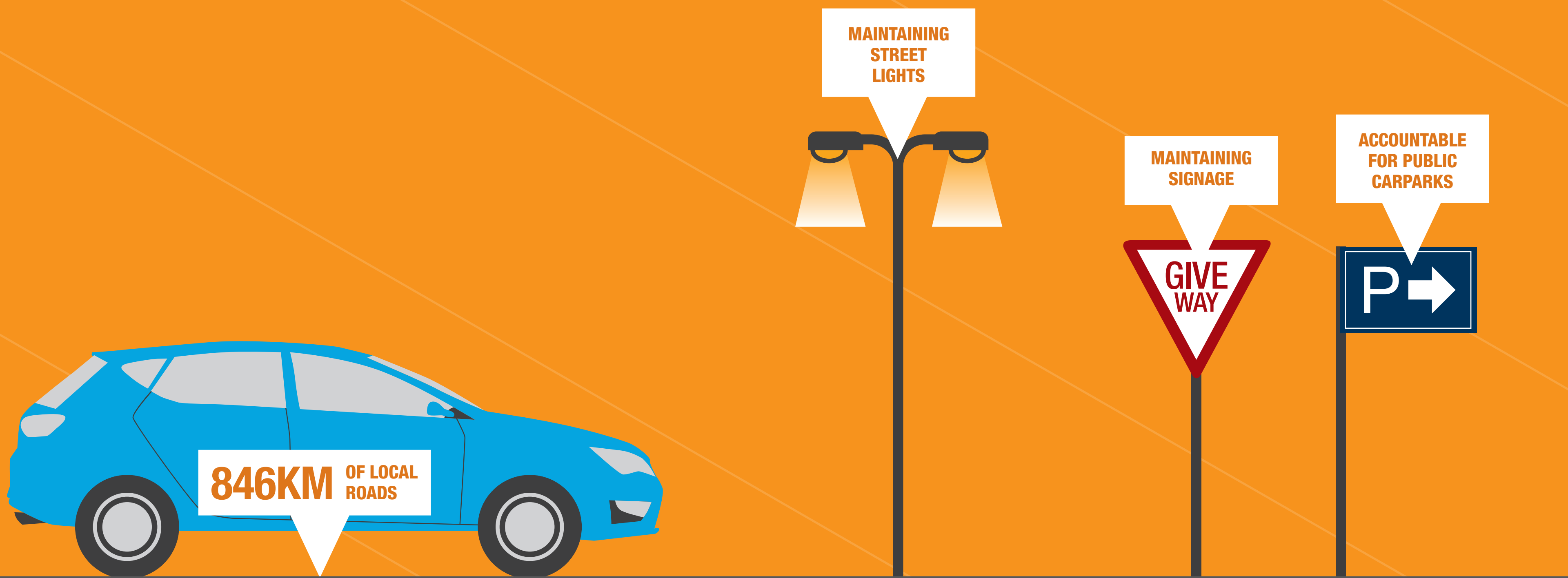
	Kg of residential waste to landfill	Kg of commercial waste to landfill	Kg of waste diverted from landfill
2015/16	258.63	424.18	260.54
2016/17	253.0	518.2	197.3
2017/18	325.99	537.08	183.45
Target for residential waste (as of 2017/18)	155 kg	-	-

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

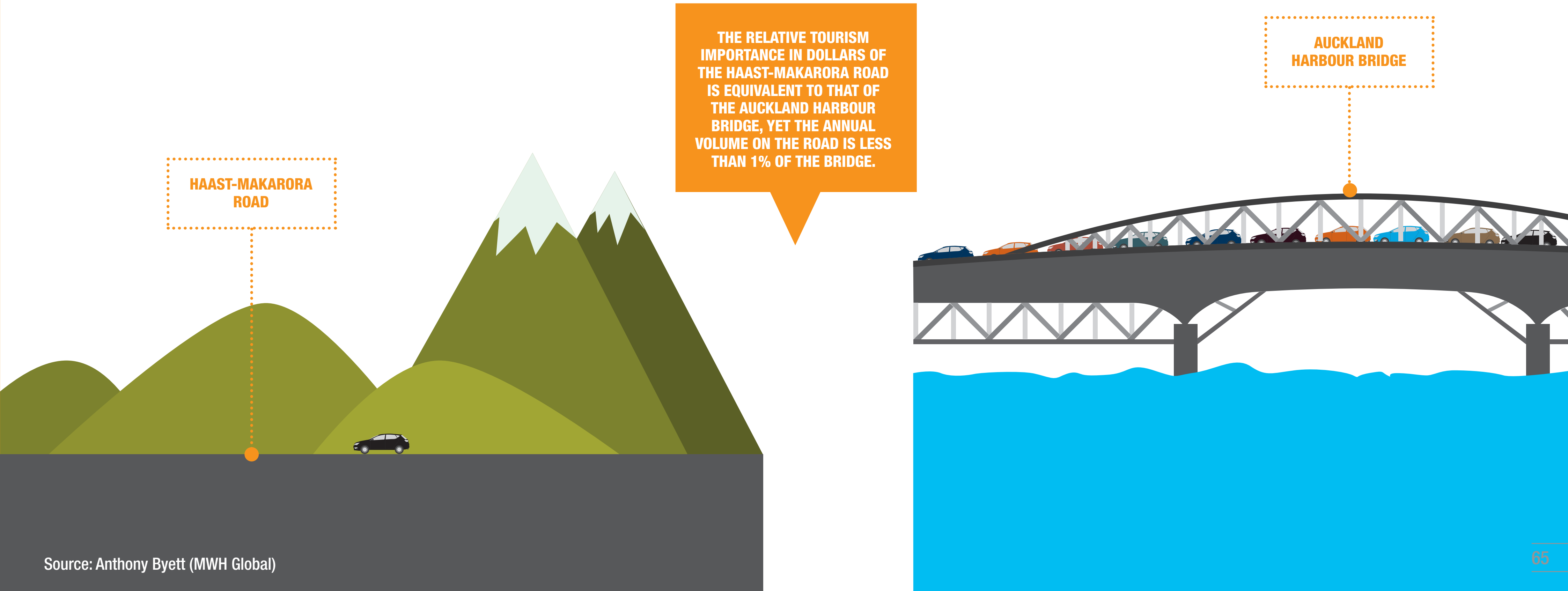
During the 2017/18 financial year work began on our new Waste Management and Minimisation Plan (WMMP). As part of this work a full review of the waste KPIs was undertaken and these have been adjusted for the 2018-28 TYP.

For the 2017/18 year the residential waste to landfill target was not met with 325.99 kgs of residential waste per person going to landfill against a target of only 155 kg. This is largely attributable to increases in population, visitor and economic growth and is not unexpected with actions of the WMMP yet to be implemented. Improvements for waste and diversion facilities as outlined in the WMMP are now underway to assist us in slowing this trend.

TRANSPORT INCLUDING ROADING, PARKING AND FOOTPATHS



WHY SHOULD YOU CARE?



Source: Anthony Byett (MWH Global)

ABOUT TRANSPORT, INCLUDING ROADING, PARKING AND FOOTPATHS

QLDC is accountable for just over 846km 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 2015-2025

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

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

- Hawthorne Drive stage two (arterial road to SH6) completed.
- In conjunction with our transport partners, the New Zealand Transport Agency and the Otago Regional Council, we introduced an improved public transport service across the Wakatipu. This is a low cost service ($2 fare) across all routes.
- Parking charges in Queenstown were reviewed and raised to encourage mode shift to active travel and public transport. Surplus funds from parking charges are being reinvested in subsidies for public transport and minor public transport infrastructure (bus stops and shelters).
- Master planning is continuing in Queenstown and has been initiated for Frankton and Wanaka.
- We have entered into an alliance with our transport partners. This is a collaborative working group with the New Zealand Transport Agency and the Otago Regional Council and has been actioned to ensure integrated planning for the transport network and optimisation of funding opportunities. Transport projects have been successfully promoted for inclusion in the Regional Land Transport Plan, many as priority one projects.
- Internal cross-departmental work has begun on the District Plan – with key input into the Transport Chapter.
- We have initiated the review of the 2012 Parking and Traffic Bylaw, looking to alleviate issues arising from conflicting demands for use of the road by vehicle type and road user, as well as supporting the district's Transport and Parking Strategies.

HOW MUCH IT COST

Breakdown of service cost

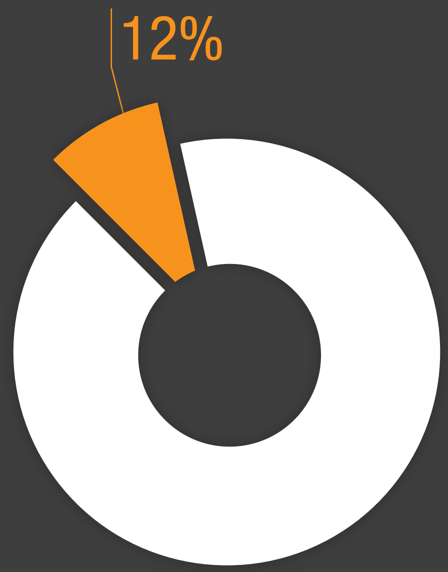
TRANSPORT, INCL ROADING, PARKING & FOOTPATHS	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	9,769	9,798	11,855
Subsidies & grants for operating expenditure	3,705	3,846	4,231
Fees & charges	670	693	2,777
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	878	910	1,075
Total sources of operating funding	15,022	15,247	19,938
Applications of operating funding			
Payments to staff and suppliers	6,888	7,109	10,973
Finance costs	743	533	233
Internal charges applied	606	613	1,247
Other operating funding applications	-	-	-
Total applications of operating funding	8,237	8,255	12,453
Surplus/(deficit) of operating funding	**6,785**	**6,992**	**7,485**
Sources of capital funding			
Subsidies & grants for capital expenditure	14,671	5,624	6,173
Development and financial contributions	1,619	1,619	3,700
Increase/(decrease) in debt	(4,530)	(3,646)	1,881
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	11,760	3,597	11,754
Applications of capital funding			
Capital expenditure			
- to meet additional demand	8,732	3,776	6,616
- to replace existing assets	2,373	3,368	4,553
- to improve the level of service	8,385	4,087	3,831
Increase/(decrease) in reserves	(945)	(642)	4,239
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	18,545	10,589	19,239
Surplus/(deficit) of capital funding	**(6,785)**	**(6,992)**	**(7,485)**
Funding balance	-	-	-

Significant cost of services variances	**Significant capital expenditure**	**Significant capital expenditure variances**
$1.26m airport park & ride capital contribution (offset by $0.63m income from QAC). $0.7m for environmental maintenance. $600k ORC bus subsidy.	$5.6m was spent on the construction of Hawthorne Drive; $2m was incurred for Queenstown Town Centre Master plan Implementation projects.	The major variance relates to the timing of completion for the Hawthorne Drive project which was completed during 2017/18.

Summary of internal borrowings

Activity	30 June 2018 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, incl Roading, Parking & Footpaths	9,316	2,364	4,245	233

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of $**100,194,000** (excluding depreciation)

Transport expenditure of
$12,453,000

HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

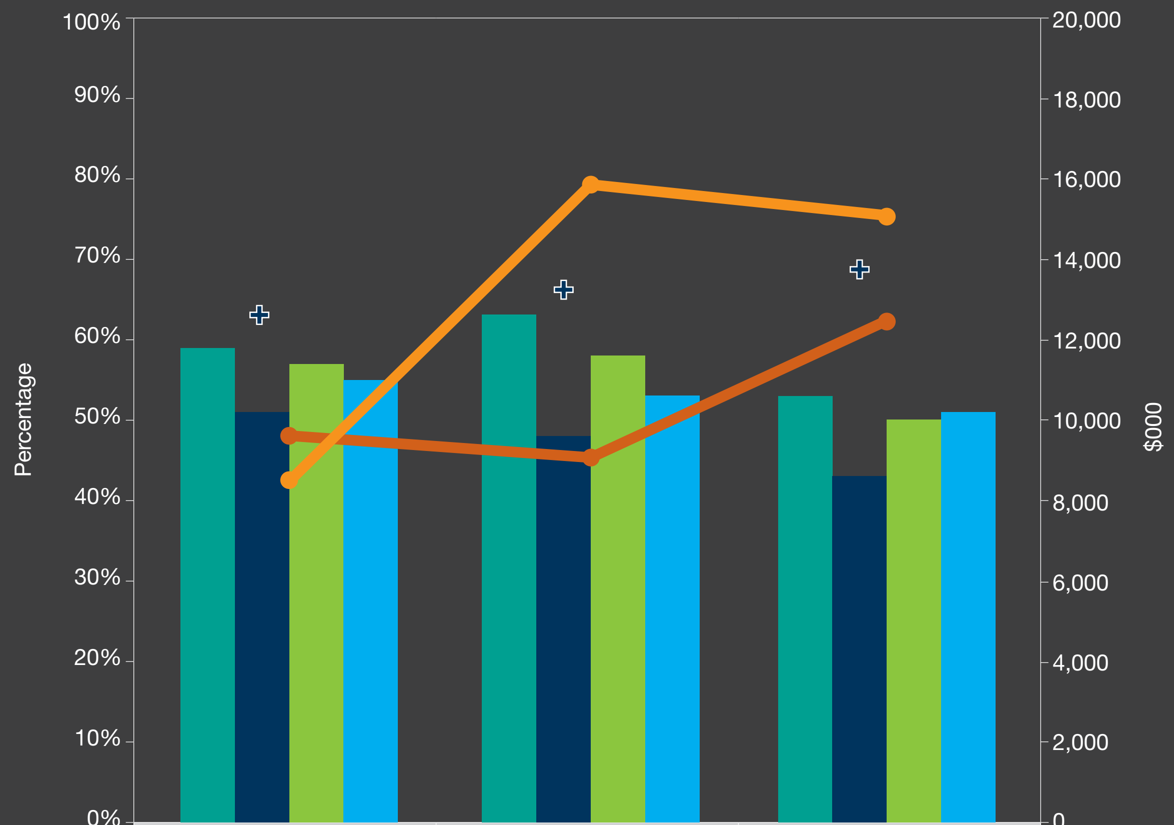
Year	Result	Target	2017/18 Commentary
A) SEALED ROADS			
2015/16	$214.55	<$129 per km	Sealed road costs were over the target of $129 per km due to additional budget being made available by the New Zealand Transport Agency. Total approved budget for 2017/18 was $181 per km. Actual spend was within budget at $173.75 per km.
2016/17	$164.75		
2017/18	$173.75		
B) UNSEALED ROADS			
2015/16	$98.37	<$85 per km	Unsealed road costs were over the target of $85 per km due to additional budget being made available by the Contract Governance Group. This was to maintain levels of service due to the dry summer and deteriorating unsealed road conditions. Total approved budget for 2017/18 was $108 per km. Actual spend was $141.05 per km. This is offset by reductions in planned maintenance costs in other areas, resulting in the total overspend of planned maintenance being less than 2%.
2016/17	$110.22		
2017/18	$141.05		

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

Year	Result	Target	2017/18 Commentary
2015/16	0.25	Average of 1 per month	In 2017/18 QLDC made four unplanned sealed road closures. Three were due to large slips that resulted in the necessary closure of the roads affected, and the fourth was due to a burst water main. This achieved the target set.
2016/17	0		
2017/18	0.25		

OVERALL PERFORMANCE OF ROADS AND FOOTPATHS

Impact of expenditure on service performance



	2015/16	2016/17	2017/18
Satisfaction with sealed roads	59%	63%	53%
Satisfaction with unsealed roads	51%	48%	43%
Target (as shown in 10YP) unsealed roads	63%	66%	69%
Satisfaction with footpaths	57%	58%	50%
Satisfaction with street lighting	55%	53%	51%
Opex	9,551	9,066	12,453
Capex	8,275	15,795	15,000

Satisfaction with roads, footpaths and lighting has reduced this year. It is likely that traffic issues relating to growth within the Wakatipu Basin continue to negatively influence perception of performance in this area.

The significant capital expenditure for this year included the construction of Hawthorne Drive and Queenstown Town Centre Master plan implementation projects.

DIA MEASURES

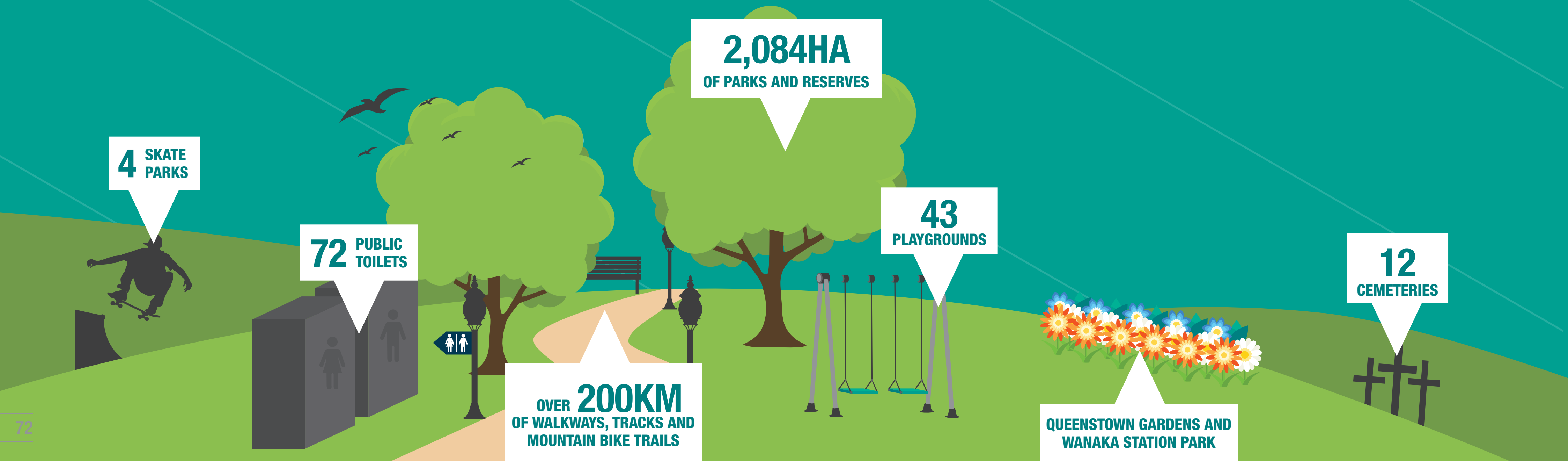
The Department of Internal Affairs (DIA) outlines a range of benchmarking measures for inclusion in the Annual Report. The following measures relate to our performance for roads and footpaths:

Roads and footpaths	2017/18 Target	2017/18 Result	Commentary
The annual change in the number of fatalities and serious injury crashes on the local road network, or the number of deaths and serious injuries per million vehicle km travelled on local roads	<15 (the total number reported in 2016/17)	11	In 2017/18 there were zero fatallities and 11 serious crashes on local roads. There has been a decrease in the number of fatalities and serious injury crashes on the local road network, down from 15 in 2016/17.
The average quality of ride on a sealed local road network, as measured by the Smooth Travel Exposure Index.	>80%	94%	There has been an increase from 89% in the previous year across urban and rural roads. The district is significantly above the benchmark set by the DIA, demonstrating the high quality of the local road network.
Percentage of a sealed local road network that is resurfaced annually.	<10%	9.25%	The district is within the benchmark set by the DIA, demonstrating an effective, controlled and well-managed resurfacing programme.
Percentage of a local footpath network that is part of a local road network that falls within a local government organisation's level of service or service standard for the condition of footpaths.	95%	Not reported	QLDC did not have a Level of Service defined for the condition of footpaths in 2017/18 and as such this measure could not be reported on. However a baseline has been defined as at 1 July 2018 (95.77% falling within the excellent to average) and this will allow QLDC to report on this measure for the 2018/19 reporting year onwards.

COMMUNITY SERVICES AND FACILITIES

OUR LONG TERM COUNCIL OUTCOME IS:

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



WHY SHOULD YOU CARE?

ABOUT COMMUNITY SERVICES AND FACILITIES

WHAT WE DELIVER

LIBRARY SERVICES

There are eight libraries throughout the district. These are Arrowtown, Glenorchy, Hawea, Kingston, Makarora, Queenstown, QEC Pop-up and Wanaka. We consider libraries to be an important community resource, providing high-quality library services to a national standard. Queenstown Lakes District Libraries and Central Otago District Libraries are linked in a joint venture, with Library membership giving access to all 15 branches and digital and book stock across both districts.

PARKS, RESERVES AND OPEN SPACES

QLDC is responsible for over 2,000ha of parks and reserves from neighbourhood parks to natural areas, forests and sportsfields. It provides an extensive network of a variety of playgrounds, and facilitates a wide range of activity including golf, bowls, camping, specialised mountain biking parks, skateparks, and other sporting activities.

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

We undertake maintenance of the Queenstown Gardens and all amenity horticulture work within the Queenstown, Arrowtown and Wanaka CBD with our own staff. Mowing, tree maintenance and recreational reserves are undertaken under contract.

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

- Queenstown Gardens and Wanaka Station Park;
- 43 playgrounds and four skate parks;
- over 18,000 amenity street trees and reserve trees;
- 41ha of sports fields in Queenstown, Arrowtown, Wanaka and Hawea and 305ha of maintained recreational reserves; and
- over 200km of walkways, tracks and mountain bike trails.

FORESTS

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

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

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

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

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

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

Forestry Management objectives are to:

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

Coronet Forest is a production forest. Harvesting of this Douglas Fir Forest is planned to commence at the end of 2018, and will take approximately three years to complete. A significant replanting programme will take place following harvest that will be predominantly native.

VENUES AND FACILITIES

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

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

Aquatic facilities include Alpine Aqualand, Arrowtown Memorial Pool and the newly opened Wanaka Pool.

PUBLIC TOILETS

We provide 72 public toilets and the goal is to provide clean, accessible and conveniently located toilets.

Usage counters are provided on new toilet facilities to review usage. This enables us to consistently improve toilet facilities available to the community.

CEMETERIES

Cemeteries are of significant importance to the community, they are places where bereaved families can mourn their loved ones.

There are 12 designated cemeteries under QLDC management, these include Arrowtown, Cardrona, Frankton, Glenorchy, Kingston, Makarora, Queenstown, Skippers and Wanaka Cemetery – all of which have historical importance. Albert Town and Pembroke (western corner of Wanaka Cemetery) are also historical cemeteries and are closed to new interments.

This year we are opening the Lower Shotover Cemetery to meet future demand and growth.

COMMUNITY PROPERTY (HOUSING)

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

WANAKA AIRPORT

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

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

Wanaka Airport is also the location for the acclaimed Warbirds Over Wanaka International Airshow, held bi-annually. The Warbirds and Wheels museum includes Warbirds aircraft, vintage cars, other museum attractions and a diner-style café.

ABOUT COMMUNITY GRANTS

QLDC funds a range of groups and activities in the district through in kind support and the provision of grants. Further funding is approved through the 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. These groups apply for and use their grant to cover operational costs such as rent or for specific projects each year.

We also assist community groups to access funding available through other agencies.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- Key Parks and Reserves projects delivered over this financial year include completing the Queenstown Gardens Commemorative Playspace, Allenby Park Playground, Frankton Beach Toilets and Ramshaw Lane toilets, Arrowtown.
- QL Libraries have extended outreach services during the 2017/18 year, with an increased focus on visits to educational and retirement facilities, expansion of in-house programmes for young people including literacy programmes, e.g. Reading to Dogs, an increased number of events for all ages conducted in-house including author visits, book clubs, and art and music events.
- All library members now have free access to new and expanded eFacilities, with over 15,000 eResources, PressReader – an online news and magazine database and Beamafilm – a predominately documentary film streaming service.
- A pop-up library has been established at the Queenstown Event Centre and operated since August 2017. The four hour per week service has been well received by the public and continues to issue and return more items than most small branches across the district. Plans for a new Frankton Library are underway and it is envisaged that a new service will be in place before the end of 2018.
- Community grants continue to be administered through the Council's annual funding structure.
- The Wanaka Recreation Centre has been completed, which includes two outdoor courts, artificial turf, three sports fields, car parking and ancilliary facilities. There has been increased usage of its facilities as the number of activities and programmes have grown. Further development opportunities will be explored in the coming years to further enhance this community facility.
- The Wanaka Pool project started in June 2016 and was completed and officially opened on 10 June 2018.
- Queenstown Airport Corporation's (QAC) long-term lease for Wanaka Airport was finalised in March 2018. This will transfer the operation, planning, development and governance of the airport to them. The lease incentivises QAC to invest in and develop the airport. The Council remains the ultimate owner of the airport and is also the majority owner of QAC. QAC previously managed the day-to-day operations at Wanaka Airport since 2010.

HOW MUCH IT COST

Breakdown of service cost

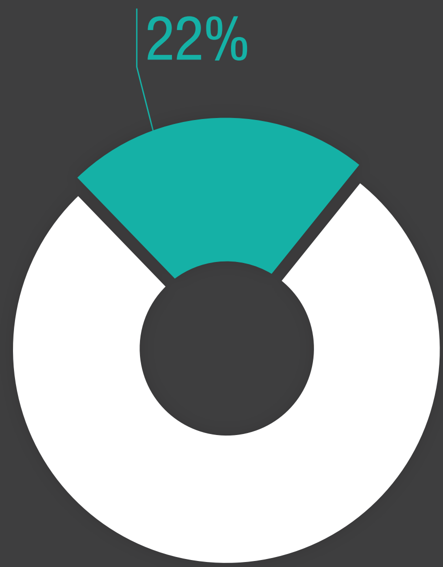
COMMUNITY SERVICES & FACILITIES	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	1,733	1,613	1,475
Targeted rates	15,772	14,836	17,089
Subsidies & grants for operating expenditure	95	97	1,405
Fees & charges	4,028	4,185	5,429
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	2,063	2,146	3,691
Total sources of operating funding	23,691	22,877	29,089
Applications of operating funding			
Payments to staff and suppliers	13,397	13,758	17,308
Finance costs	2,315	2,571	965
Internal charges applied	4,502	4,571	4,317
Other operating funding applications	-	-	-
Total applications of operating funding	20,214	20,900	22,590
Surplus/(deficit) of operating funding	**3,477**	**1,977**	**6,499**
Sources of capital funding			
Subsidies & grants for capital expenditure	1,753	-	-
Development and financial contributions	1,963	1,996	3,388
Increase/(decrease) in debt	8,442	(1,273)	(113)
Gross proceeds from sale of assets	-	-	3,337
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	12,158	723	6,612
Applications of capital funding			
Capital expenditure			
- to meet additional demand	6,020	259	4,139
- to replace existing assets	1,205	1,223	1,950
- to improve the level of service	8,456	719	6,618
Increase/(decrease) in reserves	(46)	499	404
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	15,635	2,700	13,111
Surplus/(deficit) of capital funding	**(3,477)**	**(1,977)**	**(6,499)**
Funding balance	-	-	-

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Not applicable	Wanaka Aquatic Centre $7.5m	Completion of Wanaka Aquatic Centre budgeted for in 2016/17.

Summary of internal borrowings

Activity	30 June 2018 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	30,641	4,228	4,115	965

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of $**100,194,000** (excluding depreciation)

Community expenditure of **$22,590,000**

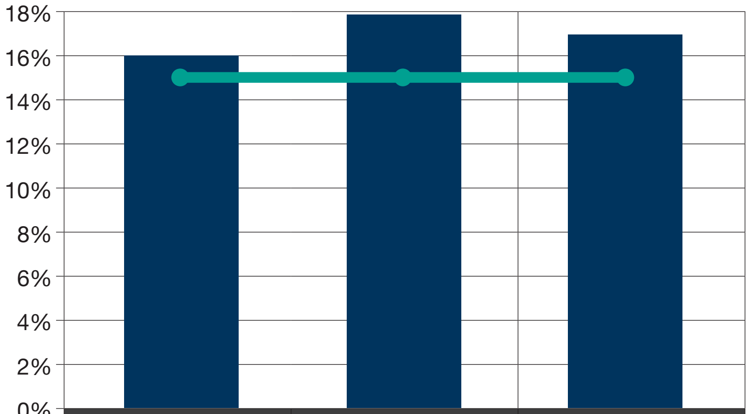
HOW WE PERFORMED

HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

SWIMMING POOLS

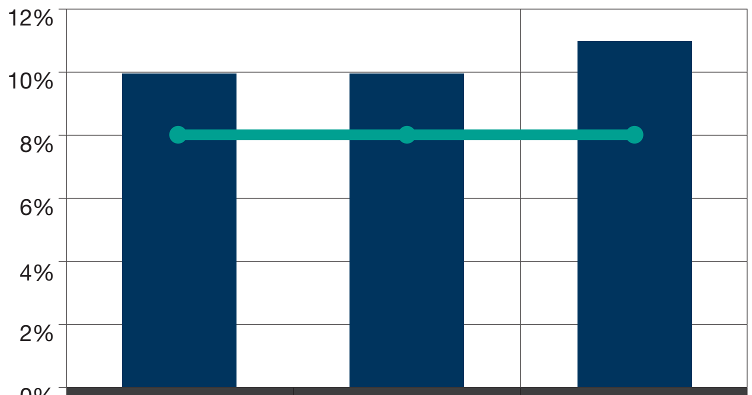
KPI: Percentage of residents who use their local pool at least once a month

ALPINE AQUALAND



	2015/16	2016/17	2017/18
Result	16%	18%	17%
Target	15%	15%	15%

WANAKA POOL



	2015/16	2016/17	2017/18
Result	10%	10%	11%
Target	8%	8%	8%

Targets were met for both Alpine Aqualand and Wanaka Pool this year with both locations demonstrating increased usage year on year. A strong growth in casual admissions and memberships has contributed to an increase in participation numbers. Usage of the new Wanaka Pool and Alpine Aqualand are forecast to continue to grow as the district's population growth continues.

KPI: Net direct cost per pool admission

Year	Result	Target	Commentary
2015/16	$1.49	<$2.12 or within the top 50% of pools nationally (as measured by Yardstick)	The result is within target and a strong growth revenue has assisted in keeping the net cost at a manageable level. Further opportunities to decrease expenditure are being explored in the energy and maintenance areas.
2016/17	$1.61		
2017/18	$1.90		

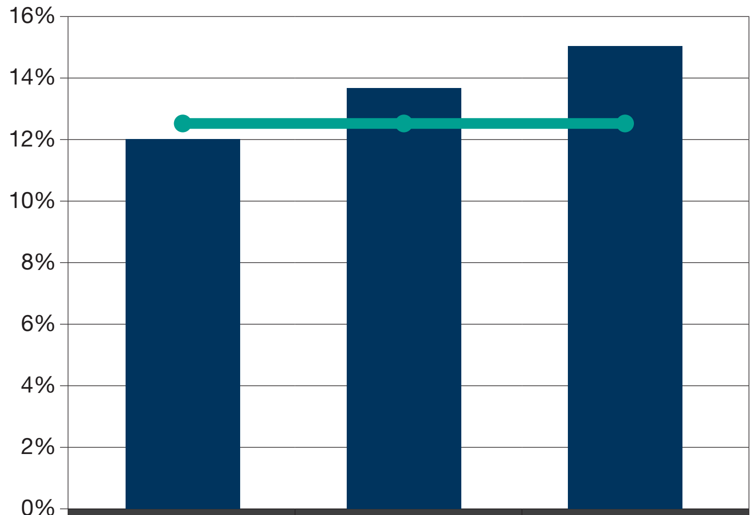
KPI: Number of serious incidents per 10,000 pool admissions (Alpine Aqualand and Wanaka Pool)

Year	Result	Target	Commentary
2015/16	0.10	<0.17 or within the top 25% of pools nationally (as measured by Yardstick)	There were no serious accidents, defined as notifiable incidents, this year at either Alpine Aqualand or Wanaka Pool.
2016/17	0.00		
2017/18	0.00		

GYM

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

RESIDENTS WHO ARE GYM MEMBERS



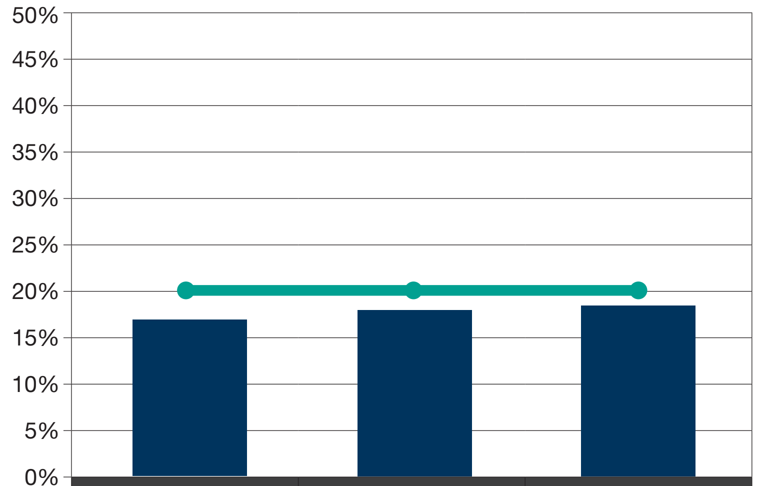
	2015/16	2016/17	2017/18
Result	12%	14%	15%
Target	12.5%	12.5%	12.5%

An increase in gym membership of 15% for the year has been a direct result of increased marketing and service provision by the Sport and Recreation team. The pricing point has meant that we provide enough choice to remain competitive among the increased number of new gyms in the district. We are increasingly looking at ways to differentiate our service.

LIBRARIES

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

RESIDENTS WHO ARE LIBRARY MEMBERS



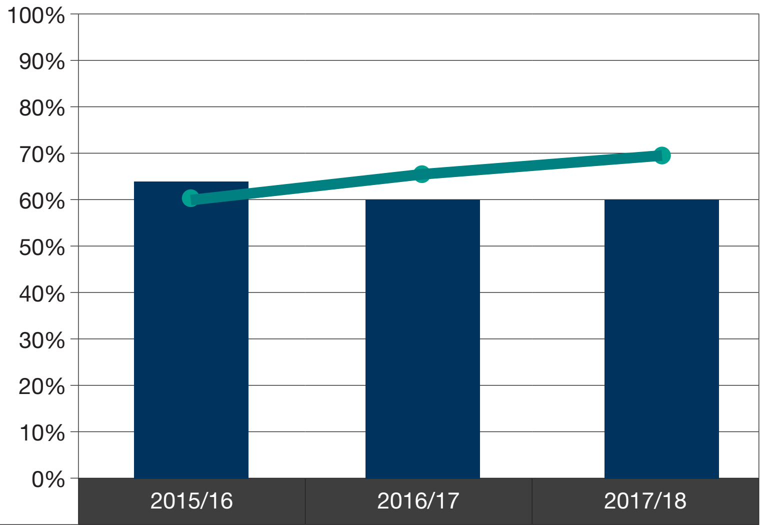
	2015/16	2016/17	2017/18
Result	17%	18%	18%
Target	20%	20%	20%

18% of residents were library members and have borrowed at least once a month (including e-resources). Borrower counts are established by card use. A common family practice is to share one library card and as such, library unique user counts are under-reported. 654 events were held across the district's Libraries this year and were attended by 7,319 members of the community. New library programmes have been offered during the year with a focus on literacy and community. Door counts at Queenstown and Wanaka libraries show that on average, 21,000 people have entered these libraries each month during the 2017/18 reporting year.

COMMUNITY FACILITIES AND VENUES

KPI: Average occupancy rate of community facilities

AVERAGE OCCUPANCY RATE



	2015/16	2016/17	2017/18
Result	64%	60%	60%
Target	60%	65%	70%

Overall occupancy of our facilities and venues remains the same as the previous year. This did not achieve the target set.

PROPERTY

KPI: Variance from budget on property expenditure

Year	Result	Target	Commentary
COMMERCIAL PROPERTY			
2015/16	**Capex:** 90.8% **Opex:** -4.6%	**Capex:** Range of 0% to -10% **Opex:** Range of 0% and -5%	Due to a change in alignment of activities in the 2015/16 year, this KPI information can no longer be collected. This KPI has been re-developed to align with activities in the new ten year plan for 2018-2028.
2016/17	**Capex:** NA **Opex:** NA		
2017/18	**Capex:** NA **Opex:** NA		
COMMUNITY PROPERTY			
2015/16	**Capex:** 10.7% **Opex:** 11.5%	**Capex:** Range of 0% to -10% **Opex:** Range of 0% and -5%	Due to a change in alignment of activities in the 2015/16 year, this KPI information can no longer be collected. This KPI ihas been re-developed to align with activities in the new ten year plan for 2018-2028.
2016/17	**Capex:** NA **Opex:** NA		
2017/18	**Capex:** NA **Opex:** NA		

PARKS AND TRAILS

KPI: Average daily use of trails

Trail	Average number of counts
Frankton Track	639.72
Old Lower Shotover River Track	319.35
Kelvin Peninsula New	312.73
Riverside Road	141.66
Swain Bridge	167.33
Billies Bridge	64.36
Morven Ferry Road	141.61
Speargrass Flat Road	78.13

The trail data from July 2017 to June 2018 is not associated with a specific target. Usage has increased by 7% from lasts years, reflecting the growing increase of residents and tourists utilising the tracks in Queenstown.

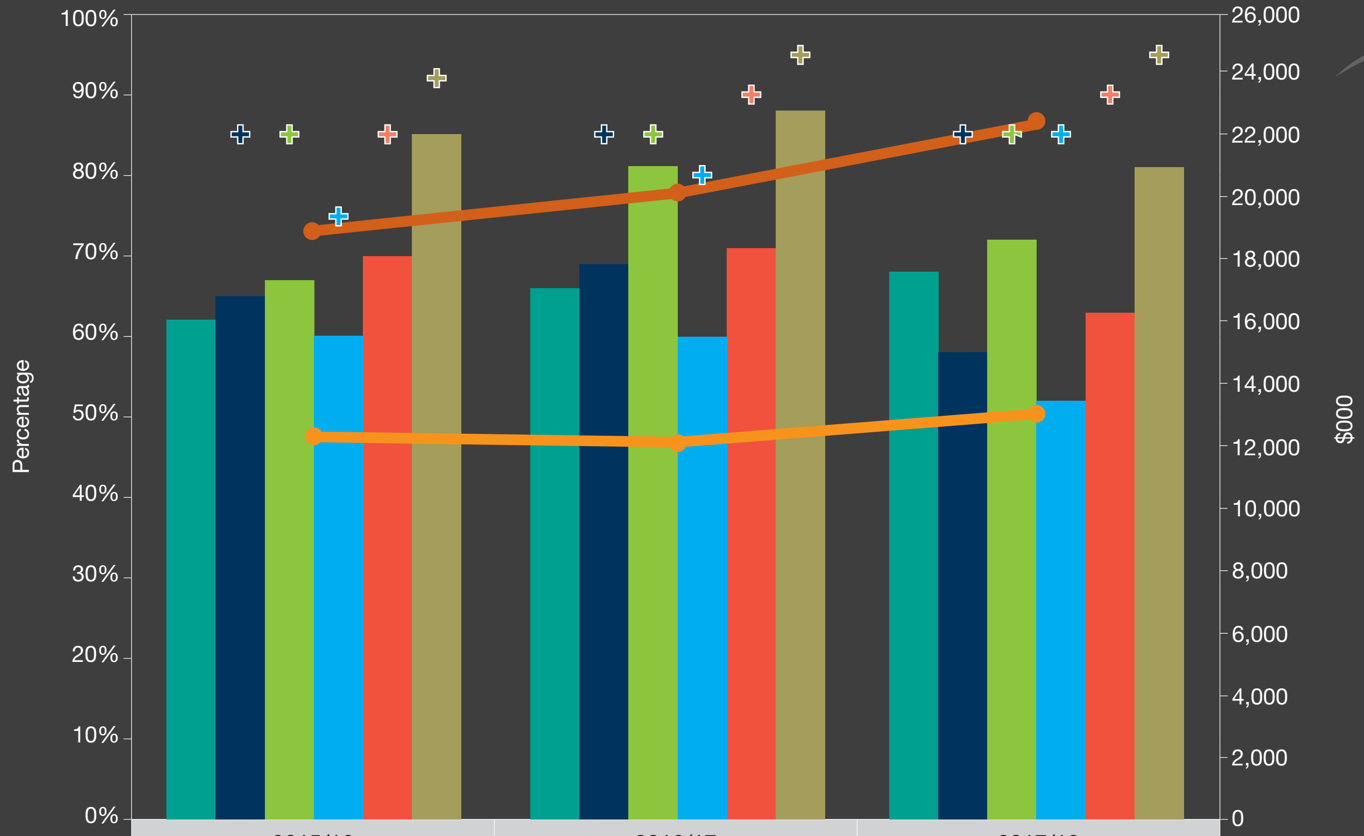
Data is not currently available for Wanaka.

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

Year	Result	Target	Commentary
2015/16	$2,363.94	<$1,967 per hectare	There has been a slight reduction in the cost per hectare compared to the previous year, however the target has not been achieved. There has recently been a change in maintenance contractors across all Parks and Reserves contracts. Regular instead of reactive maintenance will be undertaken, which should maximise efficiencies, achieve the target set and obtain best value.
2016/17	$2,428.91	<$1,960 per hectare	
2017/18	$2,420.43	<$1,955 per hectare	

OVERALL PERFORMANCE OF COMMUNITY SERVICES AND FACILITIES

Impact of expenditure on service performance



	2015/16	2016/17	2017/18
Satisfaction with swimming pools	62%	66%	68%
Target (as shown in 10YP) swimming pools	Not specified	Not specified	Not specified
Satisfaction with community halls	65%	69%	58%
Target (as shown in 10YP) community halls	85%	85%	85%
Satisfaction with libraries	67%	81%	72%
Target (as shown in 10YP) libraries	85%	85%	85%
Satisfaction with toilets	60%	60%	52%
Target (as shown in 10YP) toilets	75%	80%	85%
Satisfaction with playgrounds	70%	71%	63%
Target (as shown in 10YP) playgrounds	85%	90%	90%
Satisfaction with trails	85%	88%	81%
Target (as shown in 10YP) trails	92%	95%	95%
Opex	18,906	20,382	22,590
Capex	12,386	12,091	13,111

There has been an overall reduction in satisfaction across most community services and facilities this year. Satisfaction with swimming pools however has increased by 2% this year and is likely due to the opening of the new Wanaka Pool which has been well received.

Capital expenditure remains high this year, due to the completion of the Wanaka Pool. The increase in operational expenditure is due to additional staffing costs, maintenance costs (including cleaning) and additional energy costs.

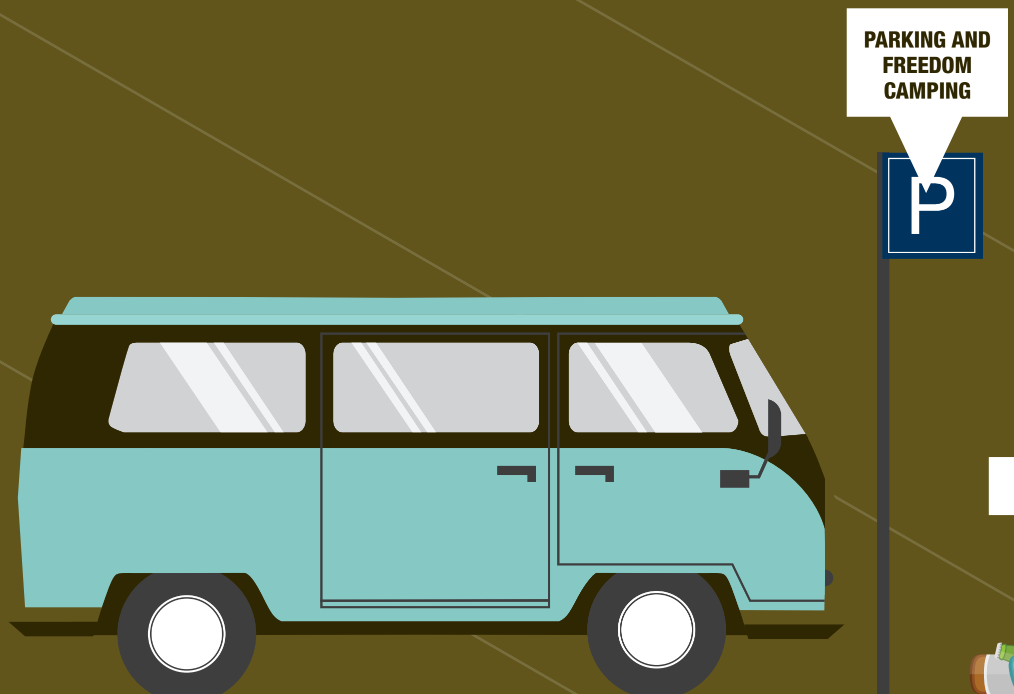
Please refer to page 27 for further detail about the Resident and Ratepayer Survey.

REGULATORY FUNCTIONS AND SERVICES

OUR LONG TERM COUNCIL OUTCOME IS:

Regulatory requirements and services delivered by the Council:

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

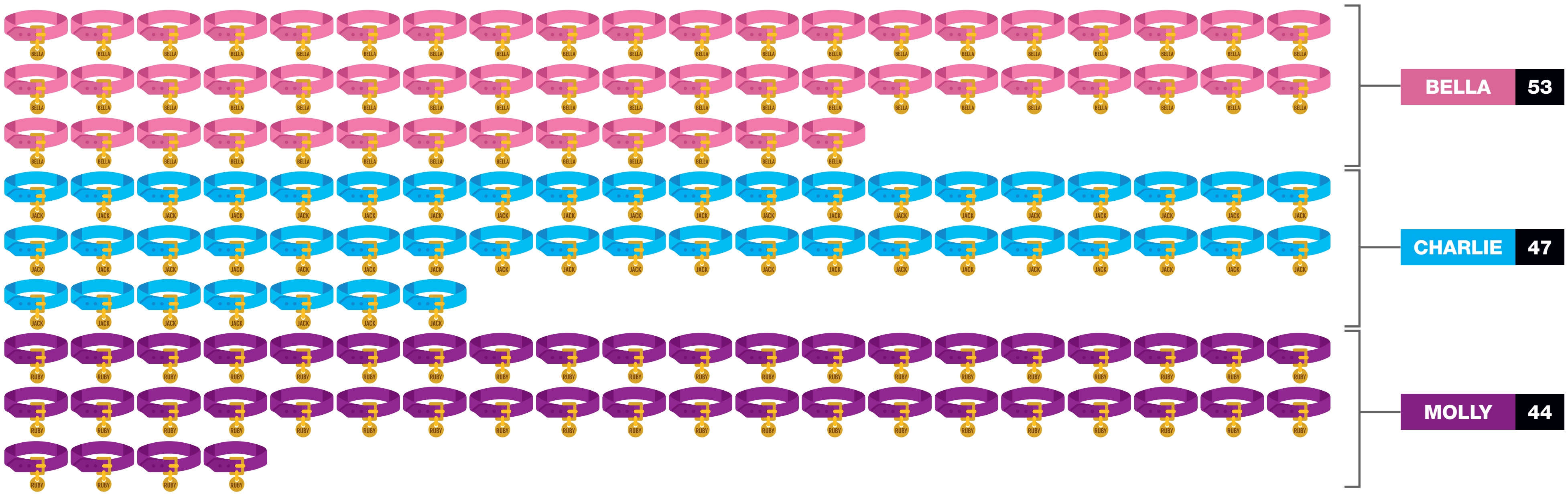


WHY SHOULD YOU CARE?

WE HAVE

4789

REGISTERED DOGS. THE MOST COMMON DOG'S NAME IS BELLA – WE HAVE 53 OF THEM REGISTERED, CLOSELY FOLLOWED BY CHARLIE AT 47 AND MOLLY AT 44



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 associate 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 2015-2025

- In response to the community, a review of the freedom camping bylaw is underway (this is led by the Parks and Reserves team). In addition we are also undertaking new strategic approach to camping across the district, with the development of an inter-organisational Responsible Camping Strategy that also involves Department of Conservation, NZ Transport Agency, Land Information NZ and MBIE.

- The Regulatory Team has responded to the need for increased monitoring and enforcement for parking and animal control. The team has expanded in line with increasing numbers of Requests for Service (RFS) and with a focus on Key Performance Indicators (KPIs).

- Online dog registration was completed successfully to facilitate the efficiency and ease for customers to register dogs

- We have completed the review of food charges and food businesses in alignment with the changes from the implementation of the Food Act.

- A monitoring strategy and key areas of focus was established in conjunction will Planning and Development, along with an Increase in resourcing to meet the community outcomes for protecting our natural environment through the monitoring or resource consents

- QLDC retained its accreditation as a Building Consent Authority following a successful assessment by International Accreditation New Zealand (IANZ), completed 10-13 October 2017. The assessment showed a significant improvement in all areas of the business when compared to previous assessments.

- Building consent activity continued to show strong growth over previous years with 1906 applications received and 1870 consents issued in the 2017/18 reporting year. This is a 5% increase in application levels compared to the previous year.

HOW MUCH IT COST

Breakdown of service cost

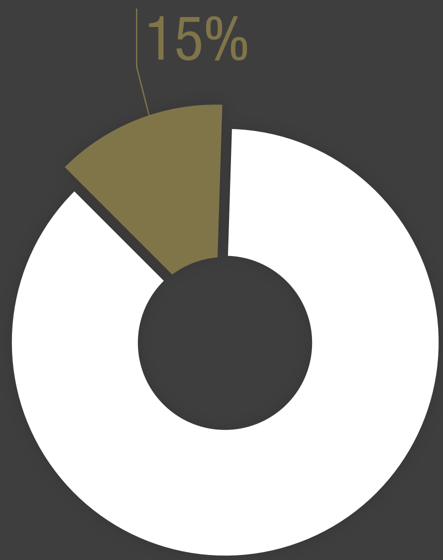
REGULATORY FUNCTIONS & SERVICES	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	1,233	1,145	691
Subsidies & grants for operating expenditure	-	-	13
Fees & charges	3,327	3,471	6,613
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	1,249	1,304	3,274
Total sources of operating funding	5,809	5,920	10,591
Applications of operating funding			
Payments to staff and suppliers	4,277	4,346	11,837
Finance costs	6	6	4
Internal charges applied	1,588	1,625	2,893
Other operating funding applications	-	-	-
Total applications of operating funding	5,871	5,977	14,734
Surplus/(deficit) of operating funding	**(62)**	**(57)**	**(4,143)**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(11)	(11)	18
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(11)	(11)	18
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	117
- to replace existing assets	10	16	78
- to improve the level of service	-	-	228
Increase/(decrease) in reserves	(83)	(84)	(4,548)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	(73)	(68)	(4,125)
Surplus/(deficit) of capital funding	**62**	**57**	**4,143**
Funding balance	-	-	-

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
$2.1m provision for appeals and settlements for the defence and resolution of legal claims; contract staff $3.9m higher than budget due to high volumes - recovered in revenue.	Not applicable	Not applicable

Summary of internal borrowings

Activity	30 June 2018 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 & Services	160	15	33	4

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of **$100,194,000** (excluding depreciation)

Regulatory expenditure of **$14,734,000**

HOW WE PERFORMED

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

KPI: Percentage of building consents issued within statutory timeframe

Year	Result	Target	Commentary
2015/16	73%	100%	2017/18 has seen strong progress in process improvement and this is reflected in our performance results compared to the previous years. The statutory timeframe target was almost met (despite increases in volumes) and this remains a priority.
2016/17	81%		
2017/18	97%		

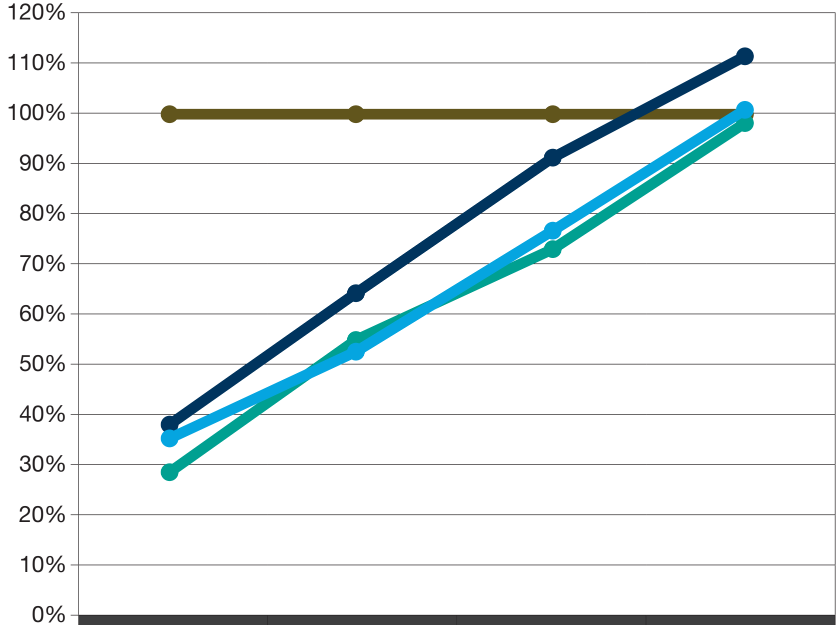
KPI: Percentage of urgent requests responded to within two hours a) animal control b) excessive noise c) water safety

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

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

Year	Result	Target	Commentary
2015/16	100%	100%	All high and very high risk liquor premises have been inspected at least quarterly this year.
2016/17	100%		
2017/18	100%		

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



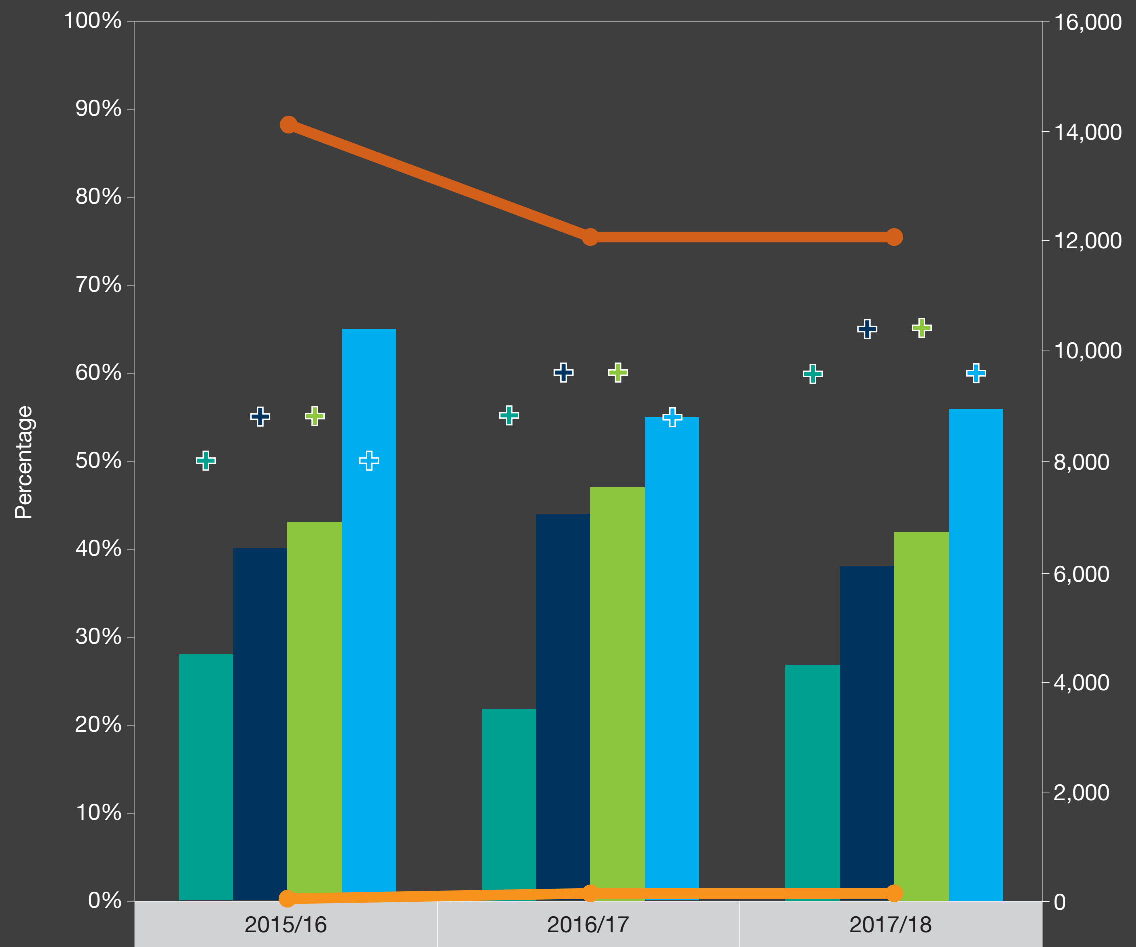
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2015/16	37%	63%	91%	111%
2016/17	30%	54%	74%	99%
2017/18	29%	51%	64%	97%
Target	100%	100%	100%	100%

The number of audits/inspections is slightly below the target set. This is partly because some businesses that are registered with QLDC include businesses that do not need to be inspected or audited by us i.e those under the National Programme. The target was further affected by a percentage of businesses registering, then closing before an inspection or audit could be undertaken.

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

OVERALL PERFORMANCE OF REGULATORY SERVICES

Impact of expenditure on service performance



	2015/16	2016/17	2017/18
Satisfaction with freedom camping	28%	22%	27%
Target (as shown in 10YP) freedom camping	50%	55%	60%
Satisfaction with noise complaints	40%	44%	38%
Target (as shown in 10YP) noise complaints	55%	60%	65%
Satisfaction with dog control	43%	47%	42%
Target (as shown in 10YP) dog control	55%	60%	65%
Satisfaction with harbourmaster	65%	55%	56%
Target (as shown in 10YP) harbourmaster	50%	55%	60%
Opex	14,255	12,068	14,734
Capex	26	49	424

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

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

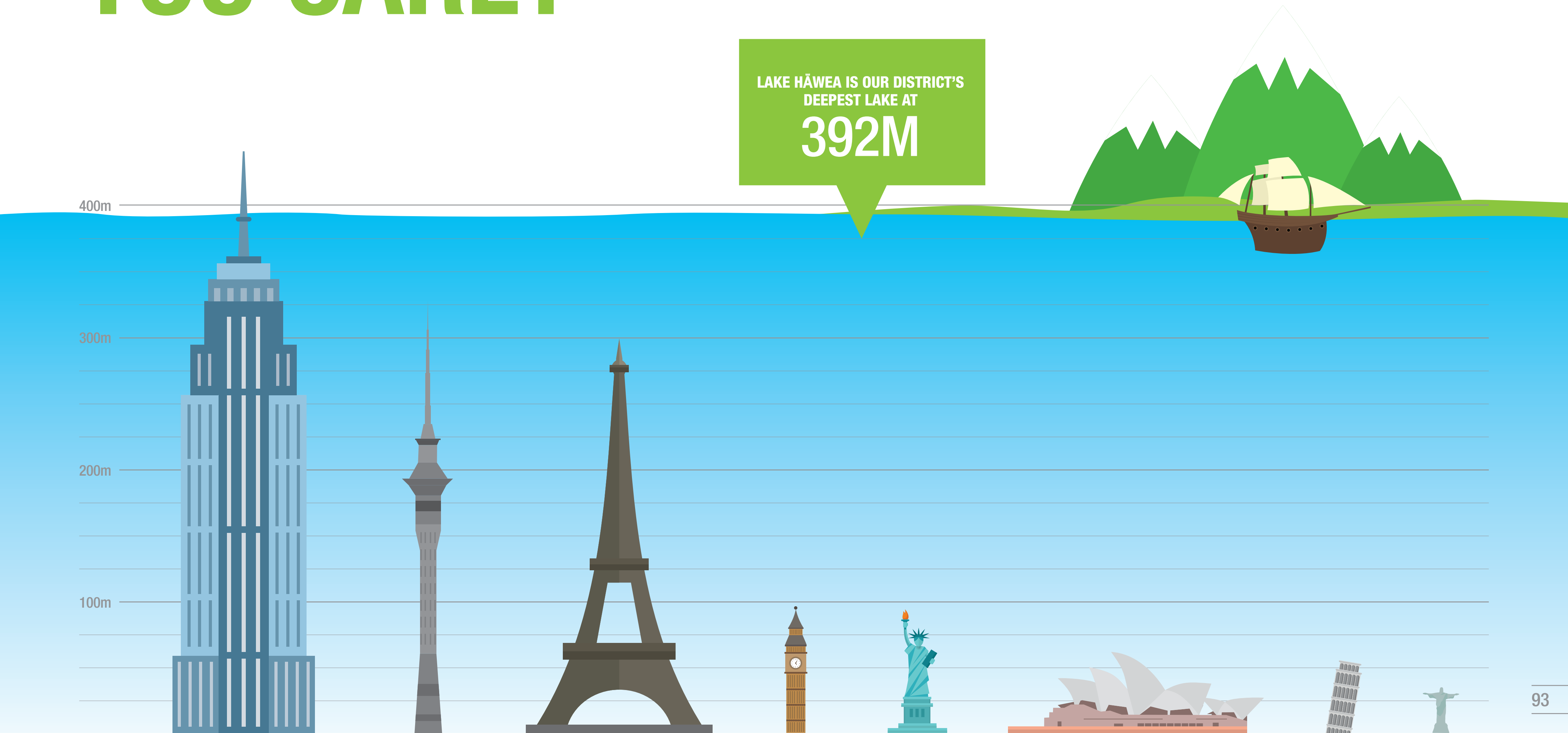
Please refer to p27 for further detail about the Resident and Ratepayer Survey.

ENVIRONMENT

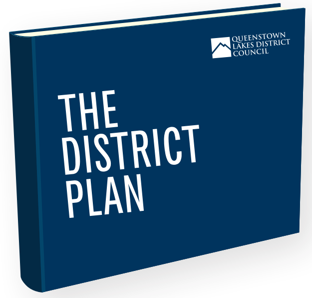
OUR LONG TERM COUNCIL OUTCOME IS THAT:

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

WHY SHOULD YOU CARE?



ABOUT ENVIRONMENT



WHAT WE DELIVER

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 approach, 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. 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.

RESOURCE CONSENTS

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

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

  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.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

- Hearings on Stage 1 of the Proposed District Plan were held July – September 2017. Decisions on submissions to Stage 1 were released in May 2018. 101 Appeals and 1165 third party appeals to the Environment Court have been received and work has now begun on responses.
- In November 2017, Stage 2 of the Proposed District Plan was notified for submissions, which involved a variation to the rural part of the Wakatipu Basin, visitor accommodation, signs, earthworks and transport chapters. Hearings will be completed in September 2018.
- Considerable work has been undertaken to respond to further changes in the Resource Management Act 1991 to simplify and streamline resource consent processing. This has involved developing and implementing a range of new processes including associated documentation. The Resource Consents business unit has continued to ensure that fast-track consents are utilised as far as practicable.
- 14 resource consents were granted this financial year for special housing area developments under the Housing Accords and Special Housing Areas Act 2013. This is an increase of nine on the previous financial year.

ENVIRONMENT	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	-	-	-
Targeted rates	3,688	3,578	3,424
Subsidies & grants for operating expenditure	-	-	195
Fees & charges	3,137	3,272	6,708
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	261	109	123
Total sources of operating funding	7,086	6,959	10,450
Applications of operating funding			
Payments to staff and suppliers	5,308	5,261	11,506
Finance costs	210	117	172
Internal charges applied	1,568	1,581	2,259
Other operating funding applications	-	-	-
Total applications of operating funding	7,086	6,959	13,937
Surplus/(deficit) of operating funding	**-**	**-**	**(3,487)**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	(1,551)	(1,551)	(376)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(1,551)	(1,551)	(376)
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)	(1,551)	(3,863)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	(1,551)	(1,551)	(3,863)
Surplus/(deficit) of capital funding	**-**	**-**	**3,487**
Funding balance	**-**	**-**	**-**

HOW MUCH IT COST

Breakdown of service cost

Significant cost of services variances

$2.7m variance to LTP for costs associated with the District Plan

Significant capital expenditure

Not applicable

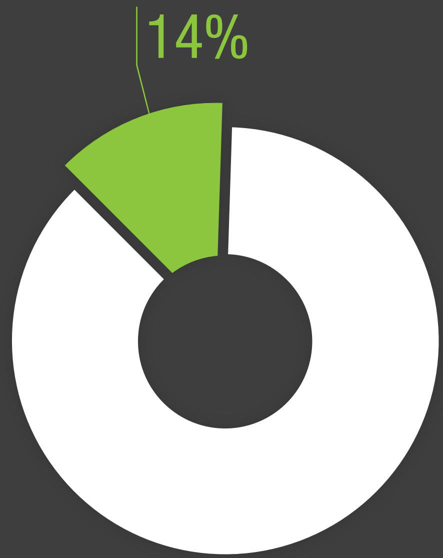
Significant capital expenditure variances

Not applicable

Summary of internal borrowings

Activity	30 June 2018 Internal loan balance $000	Total funds repaid in the year $000	Total funds borrowed during the year $000	Interest paid in the year $000
Environment	5,115	1,551	1,175	172

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of $**100,194,000** (excluding depreciation)

Environment expenditure of **$13,937,000**

HOW WE PERFORMED

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

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

Year	Result	Target	Commentary
2015/16	22%	40%	The target of 50% was not met, due to the reform of the Resource Management Act in 2015. This reform increased the level of detail required in a resource consent application to make it lawfully ‘complete’. This additional level of detail has dissuaded many owners from applying themselves and instead utilise professionals to prepare their applications.
2016/17	20%	45%	
2017/18	18%	50%	

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

Year	Result	Target	Commentary
A) NOTIFIED			Non-notified resource consent charges have achieved the target set, but notified resource consents have not. This year the complexity of notified consents increased, resulting in a greater median processing cost.
2015/16	$19,633	<$12,000	
2016/17	$22,994	<$15,000	
2017/18	$28,964	<$15,000	
B) NON-NOTIFIED			
2015/16	$1,428	<$1,500	
2016/17	$1,802	<$1,875	
2017/18	$1,697	<$2,100	

KPI: Percentage of resource consents processed within statutory timeframes

Year	Result	Target	Commentary
2015/16	94%	100%	Whilst the target of 100% was not achieved this year, our results have improved significantly despite a 33.5% increase in the volume of applications received compared to the previous year. Along with this increasing volume, the level of complexity of these applications has also increased.
2016/17	88%		
2017/18	91%		

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

This is not reported due to the low response rate to the survey sent with each resource consent decision.

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

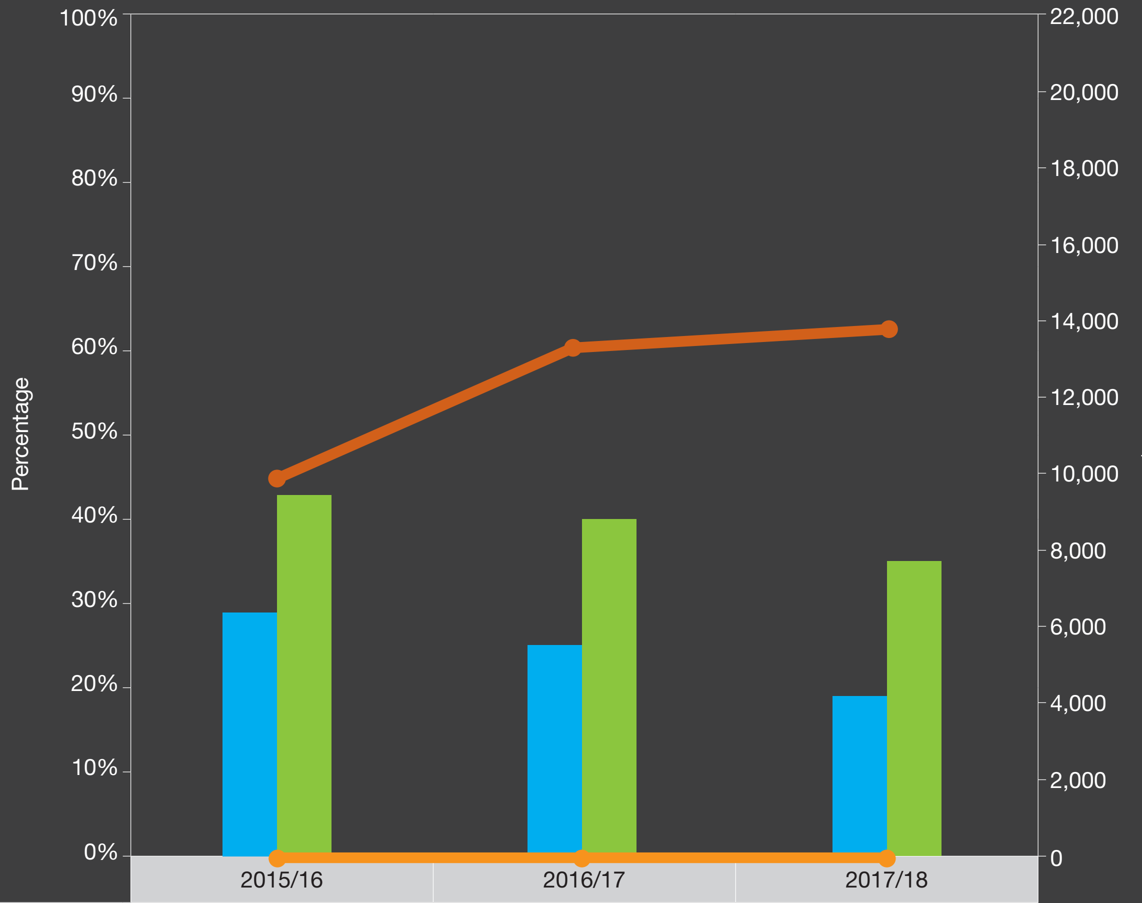
Year	Result	Target	Commentary
2015/16	Not compiled	50%	38% of respondents are satisfied with the steps Council is taking to protect the environment. A further 32% give this a neutral rating and 31% are unsatisfied with the steps being taken. Optional comments pertaining to this question primarily revolve around waste, rubbish and recycling (29%). At a lower level respondents also mentioned growth and development (17%), water (11%), freedom campers and transport (9%). Notably, 10% of these respondents mention Council are generally not doing enough and 3% said Council is 'doing ok'.
2016/17	42%	55%	
2017/18	38%	60%	

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

Year	Result	Target	Commentary
2015/16	87%	100%	This year, 85% of pollution-related RFS were resolved within specified timeframes. Actual response times are assessed as over 90% though with some itechnology ntegration issues delaying closing of responses during the year. This issue has now been resolved. The target of 100% continues to be a focus for 2018/19.
2016/17	75%		
2017/18	85%		

OVERALL PERFORMANCE OF ENVIRONMENT

Impact of expenditure on service performance



	2015/16	2016/17	2017/18
Satisfaction with resource consents	29%	25%	19%
Satisfaction with LIM reports	43%	40%	35%
Opex	9,923	13,307	13,705
Capex	0	0	0

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

Operational expenditure (opex) has increased slightly due to the District Plan review and an increase in resource consent applications. Stage one and two hearings for the District Plan review continued throughout 2017/18. Stage one hearings have now been completed and stage two hearings remain in progress.

ECONOMY

OUR LONG TERM COUNCIL OUTCOME IS:

The district has a resilient and diverse economy.

WHY SHOULD YOU CARE?

A RECORD
2.14M
PASSENGERS TRAVELLED THROUGH QUEENSTOWN AIRPORT IN YEAR ENDING JUNE 2018

During this year, Queenstown Airport Corporation took steps to engage with the community about proposed changes to noise boundaries at Queenstown Airport. After considering feedback, the decision was taken to progress other long-term planning initiatives (including the Wanaka Airport Master Plan) before taking the noise change proposal further.

Source: Queenstown Airport Annual Profile 2018.

ABOUT ECONOMY

WHAT WE DELIVER

TOURISM PROMOTION

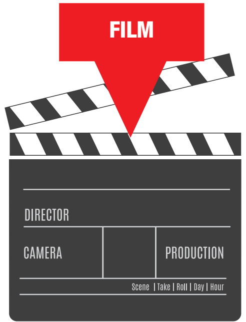
We actively encourage tourist operations that not only share our natural environment with visitors from around the globe, but also treat it with the respect and care it deserves.

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.

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. Our vision is to promote and support a balanced portfolio of sporting, arts and cultural events that meet community objectives for the district in respect of recreational activities, community infrastructure and economic growth.

COMMERCIAL PROPERTY

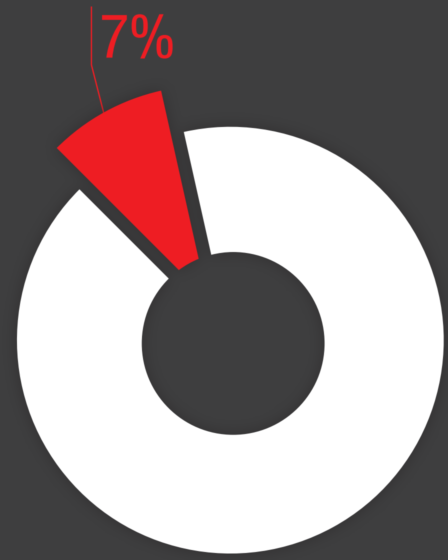
There are eight Council owned public camping grounds and holiday parks across the district. This type of quality short-term camping accommodation is available to support the district's economy and growth. These are all managed on behalf of the Council by private operators under various commercial lease arrangements.

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

We have employed an Economic Development Manager, and there have been a number of initiatives undertaken including;

- A contestable economic development fund (11 applications and 4 projects funded). Projects supported were focussed on international education, real-time visitor demand, business sustainability and start-up incubation.
- A piece of research was undertaken to understand how tourism growth can be managed in Queenstown. This was presented as a business case to our partners in central government and has been the basis for discussions around the value that the South Island receives from international visitors to Queenstown and the associated demands on infrastructure.
- Establishment of a district-wide, start-up business support network (Start-up Queenstown Lakes) which includes business incubation services.
- Research into the potential to attract international Research and Development teams in addition to those already coming to utilise the Southern Hemisphere Proving Ground. The majority of this research is being funded by New Zealand Trade and Enterprise.
- Active participation in a regional economic development forum working on projects that could have benefit across Otago.
- A labour market survey, and pilot project to help businesses recruit and retain staff – undertaken in collaboration with the Queenstown Chamber of Commerce.
- We have continued to operate an Events office that funds and assists events in line with the Events Strategy. $820k was allocated through the annual funding round to a range of events across the district. The Events Strategy will be reviewed in 2018/19.
- Film Otago Southland continues to build a strong reputation in the industry. Its role is to promote the district, negotiate permissions, protect the unique environment, generate local talent, connect local suppliers and advocate for the District on the national and international stage.
- The economic focus of the Film Office is to:
  - Increase return on investment – in a desirable, beneficial way
  - Generate complementary collaboration between the film industry, Councils and Tourism
  - Provide employment options and opportunities
  - Retain control of film production activity and minimise impact on the community and the environment

AS A PERCENTAGE OF TOTAL EXPENDITURE



Total operating expenditure of $**100,194,000** (excluding depreciation)

Economy expenditure of
$7,513,000

HOW MUCH IT COST

Breakdown of service cost

ECONOMY	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	599	343	510
Targeted rates	6,683	7,991	4,441
Subsidies & grants for operating expenditure	104	109	44
Fees & charges	-	-	3,239
Interest and dividends from investments	-	-	-
Fuel tax, fines, infringement fees & other receipts	1,868	1,795	468
Total sources of operating funding	9,254	10,238	8,702
Applications of operating funding			
Payments to staff and suppliers	6,372	6,344	6,577
Finance costs	1,538	2,348	381
Internal charges applied	300	306	555
Other operating funding applications	-	-	-
Total applications of operating funding	8,210	8,998	7,513
Surplus/(deficit) of operating funding	**1,044**	**1,240**	**1,189**
Sources of capital funding			
Subsidies & grants for capital expenditure	-	26,716	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	24,139	2,891	(1,970)
Gross proceeds from sale of assets	-	-	578
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	24,139	29,607	(1,392)
Applications of capital funding			
Capital expenditure			
- to meet additional demand	11,913	14,784	71
- to replace existing assets	118	128	-
- to improve the level of service	14,166	17,972	653
Increase/(decrease) in reserves	(1,014)	(2,037)	(927)
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	25,183	30,847	(203)
Surplus/(deficit) of capital funding	**(1,044)**	**(1,240)**	**(1,189)**
Funding balance	-	-	-

Significant cost of services variances	Significant capital expenditure	Significant capital expenditure variances
Not applicable	Not applicable	Planned convention centre did not proceed.

Summary of internal borrowings				
Activity	30 June 2018 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	10,171	2,000	30	381

HOW WE PERFORMED

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

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

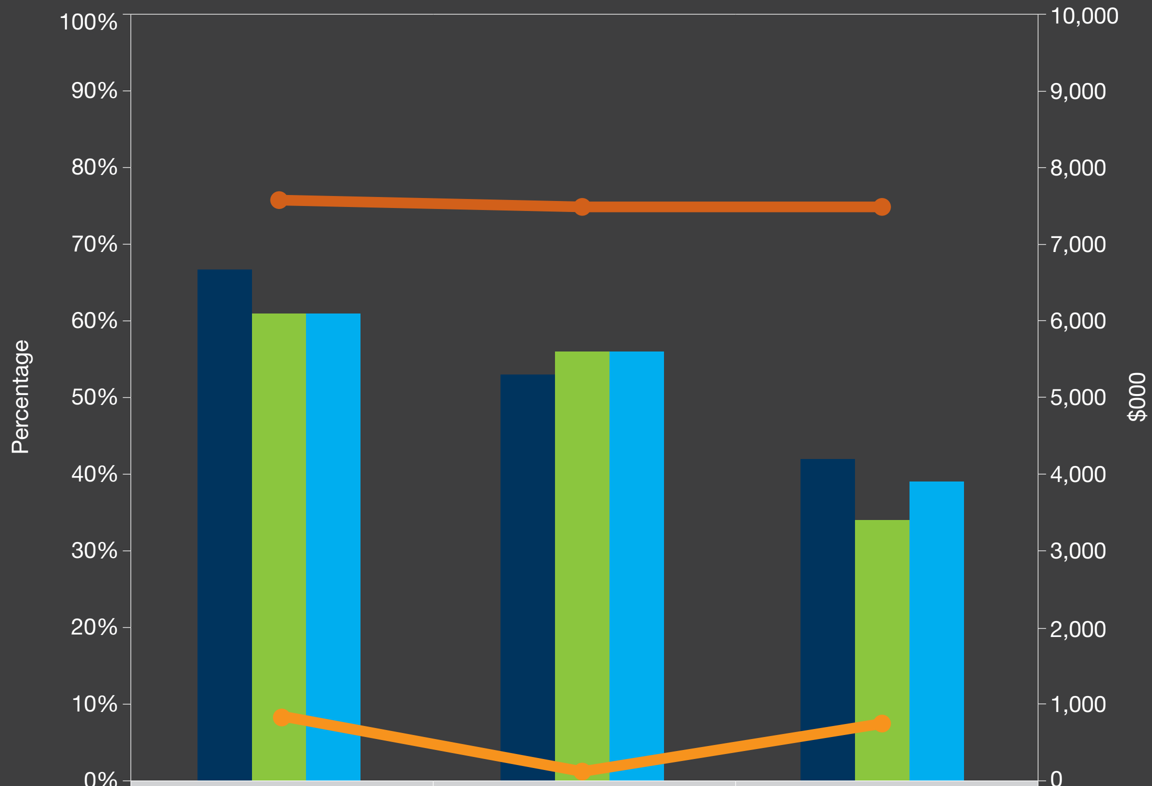
This measure has been re-developed for the 2018-28 Ten Year Plan.

KPI: Growth in new and emerging sectors

According to the Regional Economic Activity Web Tool, published by the Ministry of Business, Innovation and Employment, tertiary enrolments are up 7% between the year December 2016 and 2017. 21.5% is the percentage change in the number of new dwelling consents per 10,000 people in Queenstown Lakes District, between the year to June 2017 and 2018.

OVERALL PERFORMANCE OF ECONOMY

Impact of expenditure on the level of service for economy



	2015/16	2016/17	2017/18
Satisfaction with Destination Queenstown	67%	53%	42%
Satisfaction with Arrowtown Promotional Board	61%	56%	34%
Satisfaction with Lake Wanaka Tourism	61%	56%	39%
Opex	7,548	7,567	7,513
Capex	878	107	723

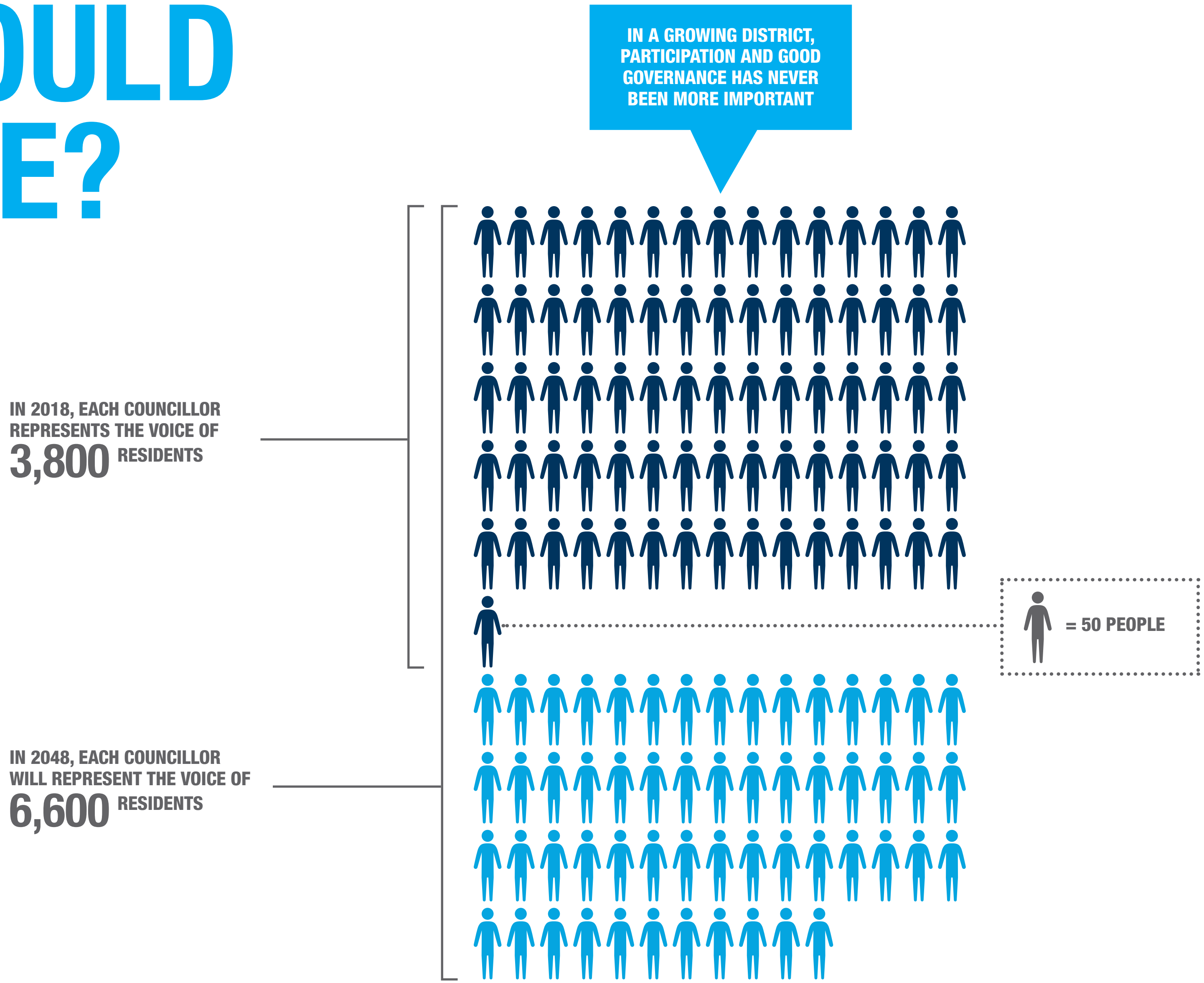
Satisfaction continues to reduce in relation to the district's Regional Tourism Organisations (RTOs). This requires further exploration, but this result is likely to be affected by the general pressures of increased visitor pressure on the district.

LOCAL DEMOCRACY

OUR LONG TERM COUNCIL OUTCOME IS:

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

WHY SHOULD YOU CARE?



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 TEN YEAR PLAN 2015-2025

- We have made it easier to participate in consultations via our website and people can contact us at any time via traditional (in person, phone and email) and social media avenues, such as facebook and twitter.
- 586 submissions were made to the Ten Year Plan process for 2018-28, a 1% decrease on those received for the Annual Plan the previous year. The key issues from this consultation were:
  - > Active and alternative travel options
  - > Three Waters
  - > Queenstown Town Centre development
  - > Affordability and rates
  - > Safe road crossings in Wanaka (SH84)
- Election services will be delivered independently by electionz.com. The next elections will be held on 12 October 2019 and the next Local Governance Statement will be produced following the elections.

LOCAL DEMOCRACY	2017 LTP $000	2018 LTP $000	2018 Actual $000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	677	700	576
Targeted rates	2,755	2,851	4,395
Subsidies & grants for operating expenditure	-	-	-
Fees & charges	55	55	29
Interest and dividends from investments	3,672	3,822	5,377
Fuel tax, fines, infringement fees & other receipts	-	-	7
Total sources of operating funding	7,159	7,428	10,384
Applications of operating funding			
Payments to staff and suppliers	2,141	2,241	2,391
Finance costs	10	10	-
Internal charges applied	1,378	1,401	1,552
Other operating funding applications	-	-	-
Total applications of operating funding	3,529	3,652	3,943
Surplus/(deficit) of operating funding	**3,630**	**3,776**	**6,441**
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	-	-	4
- to improve the level of service	-	-	-
Increase/(decrease) in reserves	3,630	3,776	6,437
Increase/(decrease) of investments	-	-	-
Total applications of capital funding	3,630	3,776	6,441
Surplus/(deficit) of capital funding	**(3,630)**	**(3,776)**	**(6,441)**
Funding balance	-	-	-

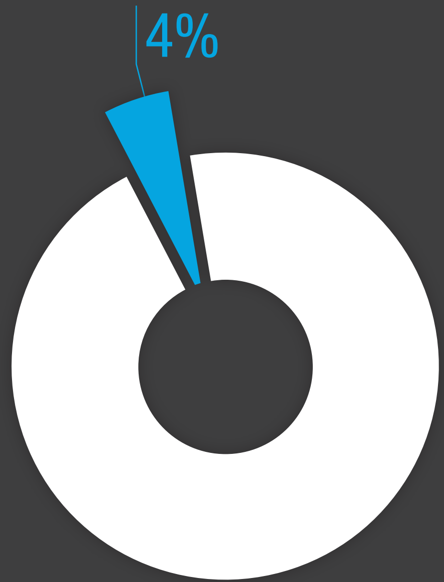
HOW MUCH IT COST

Breakdown of service cost

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

Summary of internal borrowings				
Activity	30 June 2018 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

AS A PERCENTAGE OF TOTAL EXPENDITURE



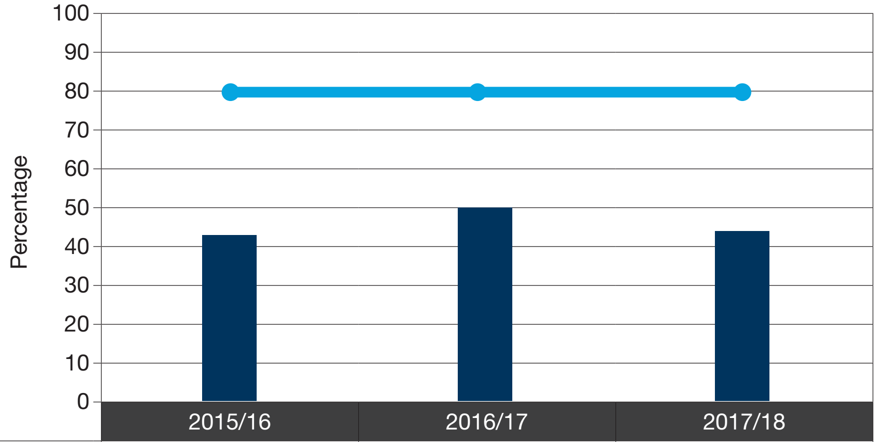
Total operating expenditure of $**100,194,000** (excluding depreciation)

Local Democracy expenditure of
$3,943,000

HOW WE PERFORMED

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

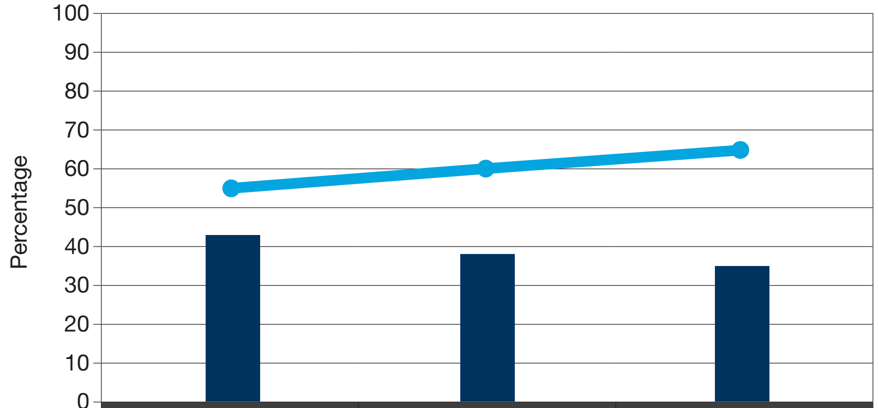
KPI: Percentage of ratepayers who are satisfied with Elected Member performance



	2015/16	2016/17	2017/18
Result	43%	50%	44%
Target	80%	80%	80%

Satisfaction with elected members has reduced this year and further focus is needed to meet the 80% target.

KPI: Percentage of ratepayers who are satisfied with Council consultation



	2015/16	2016/17	2017/18
Result	43%	38%	35%
Target	55%	60%	65%

Satisfaction with Council consultation has reduced this year. Additional avenues are being explored to ensure we are creating an environment in which it’s possible for everyone to have their say.

FINANCIAL SUPPORT & SERVICES

OUR LONG TERM COUNCIL OUTCOME IS THAT:

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

WHY SHOULD YOU CARE?

COUNCIL'S FINANCE TEAM PROCESSED

12,448 INVOICES

IN 2017/18, RANGING FROM RESOURCE AND BUILDING CONSENTS, VENUE HIRE, DEVELOPMENT CONTRIBUTIONS AND SUNDRY ITEMS

ABOUT FINANCIAL SUPPORT & SERVICES

WHAT WE DELIVER

FINANCE

The Finance team within QLDC:

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

HUMAN RESOURCES

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

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

Our key areas of responsibility are:

- Attraction, recruitment and selection.
- Organisational culture and employee engagement.
- Organisational and career development.
- Leadership and employment relations.
- Systems, policies and processes.
- 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.

LEGAL COMPLIANCE

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

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

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

PROCUREMENT

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

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

PROGRESS AGAINST THE 10 YEAR PLAN 2015-2025

We continue to develop our enterprise system (TechnologyOne) to enhance efficiency and flexibility. Some of the key milestones reached over the past year include:

- Document management was moved from a legacy system and is now a fully integrated part of our enterprise system
- Councils external facing eDocs application has been redeveloped to increase security and user experience
- A Performance Planning module was deployed which supports easier reporting against Council KPIs
- A semi-automated accounts payable system has created significant back office efficiencies
- Changes were made to improve support of online payments for all Council applications
- Council officers are now more efficient with the deployment of a mobile health inspections application
- A new electronic recruitment system, QJumpers has been implemented to assist with, and create efficiencies through the recruitment process
- Leadership, professional and organisational development continues to be a focus our HR team as part of the organisational training & development framework
- Work continues on the QLDC Queenstown and Wanaka office accommodation projects
- QLDC's Health & Safety compliance remains at tertiary status. This was previously obtained through ACC's Workplace Safety Management Practices programme, which has now been discontinued. We have applied a similar audit framework in 2018 to ensure ongoing compliance.

In addition to the above, information technology infrastructure upgrades have increased Council's disaster recovery resilience and wide area network performance.

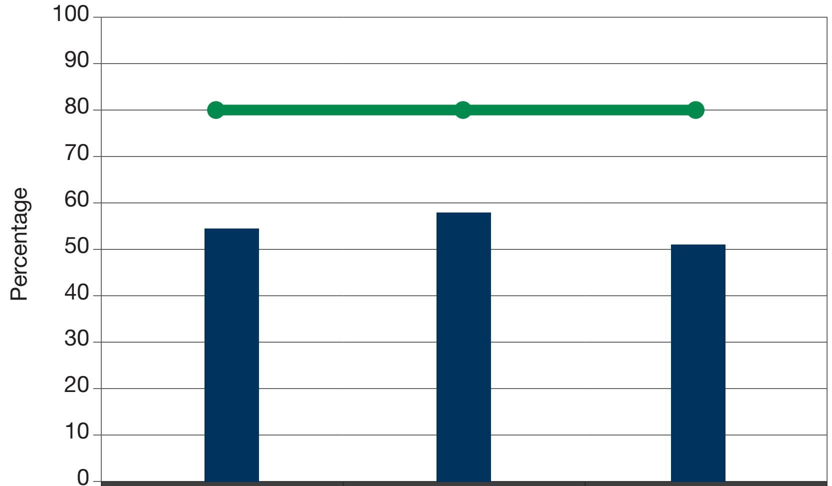
HOW MUCH IT COST

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

HOW WE PERFORMED

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

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

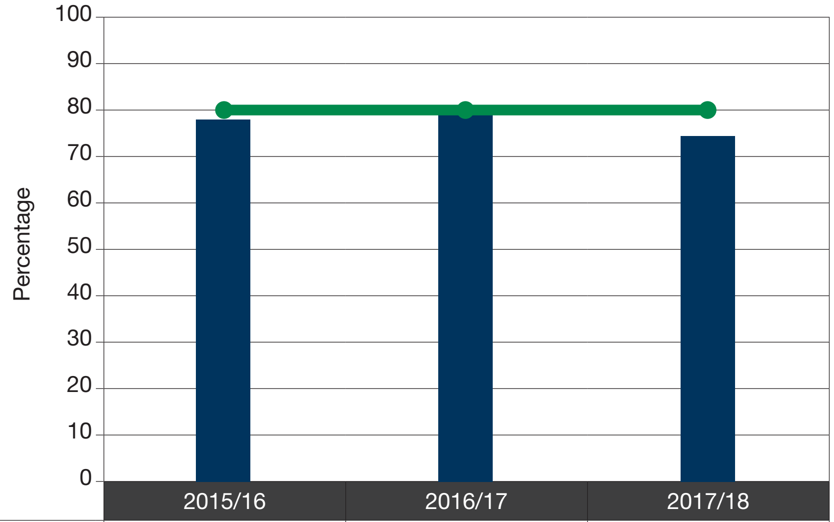


	2015/16	2016/17	2017/18
Result	54%	58%	51%
Target	80%	80%	80%

Satisfaction with Council staff has reduced this year and further focus is needed to meet the 80% target.

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

Year	Result	Target	Commentary
2015/16	78%	80%	This year, the Customer Services team has experienced reasonably high turnover, with staff moving into other career opportunities within the organisation. As such, the level of service has been impacted by the need to recruit quickly, train effectively and maintain team morale. Due to the continued increase in demand on the Customer Service team, two additional Customer Service Advisor FTE roles have now been appointed and this should have a positive effect on performance results next year.
2016/17	80%		
2017/18	74%		



	2015/16	2016/17	2017/18
Result	78%	80%	74%
Target	80%	80%	80%

KPI: Percentage of rates invoices that are sent via email

Year	Result	Target	Commentary
2015/16	11%	100% (trend towards)	Customer services and the rates team have continued to promote email and direct debit sign up by phone and front counter enquiries.
2016/17	15%		
2017/18	18%		

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

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

Year	Result	Target	Commentary
2015/16	89%	100%	The total number of LGOIMA requests received this year has increased by 22% compared to 2016/17. The high volume and complexity of these requests meant that delays occurred where confirmation of scope, further consultation or a legal opinion was required. Communication was maintained with submitters throughout the process and in many cases where the 20 days was exceeded, the information was provided within a day of the deadline. A dedicated resource has been appointed and improvement in this area is expected.
2016/17	87%		
2017/18	86%		

b) Councillor enquiries within 5 days

Year	Result	Target	Commentary
2015/16	85%	95%	A new process for managing Councillor enquiries has been implemented and improvements have been achieved. Achieving the target will remain a priority.
2016/17	95%		
2017/18	82%		

KPI: Weighted average interest rate

Year	Result	Target	Commentary
2015/16	4.8%	<6%	The weighted average interest rate is 4.4% for the year. This is due to lower than expected interest rates for the period. This achieved the target set.
2016/17	4.5%		
2017/18	4.4%		

KPI: Debt servicing to rates revenue

Year	Result	Target	Commentary
2015/16	7.8%	<15%	The debt servicing to rates revenue is 5.9% for this year. Levels have decreased slightly this period. This is due to lower than expected borrowing costs and the timing of some capital works. This achieved the target set.
2016/17	6.1%		
2017/18	5.9%		

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

Year	Result	Target	Commentary
2015/16	9%	<30%	Overdue accounts are consistent with prior years. There will be a renewed focus on debt collection activities in 2018/19.
2016/17	9%		
2017/18	8%		

KPI: Rates as a percentage of household income

Year	Result	Target	Commentary
2015/16	2.50%	<3%	Residential rates as a percentage of household income was 2.27% for 2017/18. Levels have decreased on previous years due to an increase in average household income in the district. This achieved the target set.
2016/17	2.46%		
2017/18	2.27%		

KPI: Capex to depreciation ratio

Year	Result	Target	Commentary
2015/16	2.68	>1	Levels are up versus the prior year due to increased capital expenditure and higher vested assets during 2017/18.
2016/17	2.46		
2017/18	3.26		

QUEENSTOWN AIRPORT CORPORATION LTD

Year Ended 30 June 2018	Forecast 2018 $'000	Actual 2018 $'000	Variance 2018 $'000
Revenue	**43,663**	**45,668**	**2,005**
Operating Expenditure	15,001	14,041	(960)
EBITDA	28,662	31,627	2,965
Interest Expense	2,214	2,472	258
Depreciation and Amortisation	8,388	8,208	(108)
Profit Before Tax	18,060	20,947	2,887
Net Profit After Tax	**12,007**	**14,941**	**2,934**
Dividends Paid	6,610	7,169	559
Total Assets	357,573	356,167	(1,406)
Total Liabilities	101,212	81,257	(19,955)
Shareholders Funds	256,361	274,910	18,549
Operating Cash Flow	23,331	24,550	1,219
Capital Expenditure	41,257	24,347	(16,910)
Closing Debt	80,221	57,000	(23,221)

Year Ended 30 June 2018	Forecast 2018 $'000	Actual 2018 $'000	Variance 2018 $'000
Total PAX (000's)	**2,001**	**2,141**	**140**
Percentage International PAX	28%	28%	
Revenue per PAX	$ 21.82	$ 21.33	-$ 0.49
NPAT per PAX	$ 6.00	$ 6.98	$ 0.98
Return on Equity (NPAT to Avg SH Funds)	4.9%	5.9%	
Return on Assets (NPAT to Avg Total Assets)	3.6%	4.5%	
EBITDA to Total Assets	8.0%	8.9%	
Gearing: Debt: EBITDA	2.8	1.8	
EBITDA > 2 times funding expense	10.5	12.8	
Shareholders Funds to Total Tangible Assets > 50%	71%	77%	

Assessment of Actual vs Forecast Financial Performance

The growth in revenue (5%) ahead of forecast has been driven by passenger movements (PAX) 7% ahead of forecast and improved commercial revenues from ground transport.

Operating expenditure was 6% lower than forecast due to strong cost management particularly in professional services and employee costs.

As a result EBITDA was 10% higher than forecast.

Interest costs were higher than forecast due to the establishment of new bank facilities. Depreciation, amortisation and tax was largely in line with forecast.

As a result, Net Profit after tax was 24% above forecast.

Dividends paid in the year of $7.2 million related to earnings from the previous financial year.

Operating cash flows were strong and ahead of forecast at $24.6 million driven by profit growth.

Capital expenditure was down on forecast as a result of the timing of the apron overlay and BMU being pushed out. The major capital items for the year included the acquisition of leasehold land and improvements at Wanaka airport, acquisition of residential property and the construction of the Emergency Operations Centre.

Return on equity and assets were above forecast due to the positive profit performance and lower capital expenditure. Funding ratios were better than forecast and remained well within covenants.

Queenstown Airport Corporation Ltd Annual Report and Statement of Service Performance (SSP) is available on their website www.queenstownairport.com/assets/documents/Annual-Report-2018.pdf

FUNDING IMPACT STATEMENT WHOLE COUNCIL [QLDC ONLY]

Funding Impact Statement - Whole Council (QLDC only)

	2017 Annual Plan $000	2017 Actual $000	2018 Annual Plan $000	2018 Actual $000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	3,024	3,252	3,360	3,642
Targeted rates	60,000	59,481	64,310	63,775
Subsidies & grants for operating expenditure	3,835	7,418	5,541	6,007
Fees & charges	22,453	28,156	31,345	32,303
Interest and dividends from investments	3,852	4,865	3,822	6,016
Fuel tax, fines, infringement fees & other receipts	4,456	8,254	5,795	8,923
Total sources of operating funding	**97,620**	**111,426**	**114,173**	**120,668**
Applications of operating funding				
Payments to staff and suppliers	71,665	82,725	82,487	95,613
Finance costs	9,178	3,771	10,695	3,957
Other operating funding applications	-	-	-	-
Total applications of operating funding	**80,843**	**86,496**	**93,182**	**99,570**
Surplus/(deficit) of operating funding	**16,777**	**24,930**	**20,991**	**21,098**
Sources of capital funding				
Subsidies & grants for capital expenditure	10,531	7,748	6,850	6,173
Development and financial contributions	6,688	13,112	6,616	15,985
Increase/(decrease) in debt	48,042	7,565	29,660	11,684
Gross proceeds from sale of assets	-	162	-	3,915
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	**65,261**	**28,587**	**43,126**	**37,757**
Applications of capital funding				
Capital expenditure				
- to meet additional demand	36,087	21,682	27,972	22,256
- to replace existing assets	8,056	9,392	13,656	13,120
- to improve the level of service	37,899	15,692	22,488	17,611
Increase/(decrease) in reserves	(4)	6,751	1	5,868
Increase/(decrease) of investments	-	-	-	-
Total applications of capital funding	**82,038**	**53,517**	**64,117**	**58,855**
Surplus/(deficit) of capital funding	**(16,777)**	**(24,930)**	**(20,991)**	**(21,098)**
Funding balance	**-**	**-**	**-**	**-**

Reconciliation of Funding Impact Statement to Statement of Financial Performance

	2017 Annual Plan $000	2017 Actual $000	2018 Annual Plan $000	2018 Actual $000
INCOME				
Statement of Comprehensive Revenue and Expense:				
Total operating income	**125,962**	**173,181**	**139,017**	**176,201**
Funding Impact Statement:				
Total sources of operating funding	97,620	111,426	114,173	120,668
Plus sources of capital funding:				
Subsidies & grants for capital expenditure	10,531	7,748	6,850	6,173
Development and financial contributions	6,688	13,112	6,616	15,985
Other dedicated capital funding	-	-	-	-
Less cost of property sales	-	-	-	-
Plus non-cash items:				
Vested assets	10,500	8,493	10,749	30,684
Other gains/(losses)	623	32,402	629	2,691
Total income	**125,962**	**173,181**	**139,017**	**176,201**
EXPENDITURE				
Statement of Comprehensive Income:				
Total operating expenditure	**103,850**	**108,889**	**117,551**	**124,718**
Funding Impact Statement:				
Total applications of operating funding	80,843	86,496	93,182	99,570
Plus non-cash items:				
Depreciation & amortisation expense	23,007	22,393	24,369	25,148
Other	-	-	-	-
Total expenditure	**103,850**	**108,889**	**117,551**	**124,718**

SECTION 3

FINANCIAL STATEMENTS

Statement of Financial Performance

For the financial year ended 30 June 2018	Notes	Council 2018 $'000	Council Budget $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Operating revenue						
Revenue from non-exchange transactions						
Rates revenue	2 (a)	66,559	66,387	62,025	66,179	61,693
Other revenue	2 (a)	70,795	38,852	47,270	70,616	46,393
Revenue from exchange transactions						
Other revenue	2 (b)	36,156	32,466	31,484	75,520	65,396
Other gains/(losses)	2 (b)	2,691	-	32,402	2,115	33,236
Total revenue	**2 (g)**	**176,201**	**137,705**	**173,181**	**214,430**	**206,718**
Operating expenditure						
Employee benefits expense	2 (c)	24,513	24,566	20,325	30,196	25,017
Depreciation and amortisation expense	2 (d)	25,148	24,369	22,393	33,142	29,715
Borrowing costs	2 (e)	3,957	8,353	3,771	6,430	5,723
Other expenses	2 (f)	71,100	59,580	62,400	77,558	69,526
Total operating expenditure	**2 (g)**	**124,718**	**116,868**	**108,889**	**147,326**	**129,981**
Operating surplus before income tax and subvention receipt		**51,483**	**20,837**	**64,292**	**67,104**	**76,737**
Subvention receipt	3	-	-	555	-	-
Operating surplus before income tax		**51,483**	**20,837**	**64,847**	**67,104**	**76,737**
Income tax expense	3	-	-	-	6,005	4,250
Operating surplus for the year		**51,483**	**20,837**	**64,847**	**61,099**	**72,487**
Operating surplus attributable to:						
- Council	20	51,483	20,837	64,847	57,216	69,286
- Non-controlling interest	21	-	-	-	3,883	3,201
		51,483	**20,837**	**64,847**	**61,099**	**72,487**

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 2018	Notes	Council 2018 $'000	Council Budget $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Surplus for the year		51,483	20,837	64,847	61,099	72,487
Other comprehensive revenue and expense						
May be reclassified subsequently to revenue or expense when specific conditions are met						
Gain/(loss) on revaluation	19 (a)	7,340	629	56,540	41,465	88,595
Income tax relating to revaluation	19 (a)	-	-	-	(905)	(2,027)
Gain/(loss) on cash flow hedging	19 (d)	-	-	-	(399)	423
Realised losses transferred to the statement of financial performance	19 (d)	-	-	-	306	198
Income tax relating to cash flow hedging	19 (d)	-	-	-	112	(118)
Total comprehensive income		**58,823**	**21,466**	**121,387**	**101,678**	**159,558**
Attributable to:						
- Council		58,823	21,466	121,387	89,755	148,726
- Non-controlling interest		-	-	-	11,923	10,832
		58,823	**21,466**	**121,387**	**101,678**	**159,558**

Statement of Financial Position

As at 30 June 2018	Notes	Council 2018 $'000	Council Budget $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Current assets						
Cash and cash equivalents	28	10,028	337	6,326	11,925	7,241
Trade and other receivables from non-exchange transactions	6	5,957	8,488	6,725	5,957	6,725
Trade and other receivables from exchange transactions	6	9,222	1,838	6,605	12,966	9,088
Inventories		46	24	46	46	46
Current tax refundable	3	-	-	-	-	-
Other financial assets	7	9,513	15	10,013	9,513	10,013
Other current assets	8	1,214	716	797	1,703	1,189
Total current assets		**35,980**	**11,418**	**30,512**	**42,110**	**34,302**
Non-current assets						
Investment in subsidiaries	25	6,250	6,250	6,250	-	-
Other financial assets	7	1,707	1,086	2,134	1,707	2,397
Property, plant and equipment	10	1,231,645	1,215,830	1,169,076	1,567,308	1,466,522
Forestry assets	11	-	-	-	2,446	1,849
Intangible assets	12	1,607	-	673	4,761	3,598
Investment property	13	53,162	63,560	63,770	53,162	63,770
Development property	9	12,503	-	-	12,503	-
Total non-current assets		**1,306,874**	**1,286,726**	**1,241,903**	**1,641,887**	**1,538,136**
Total assets		**1,342,854**	**1,298,144**	**1,272,415**	**1,683,997**	**1,572,438**
Current liabilities						
Trade and other payables from exchange transactions	14	27,071	14,637	22,618	30,371	27,306
Borrowings	15	30,203	48,000	17,223	30,203	17,223
Other financial liabilities	16	96	-	262	96	262
Other current liabilities	17	10,686	2,846	8,286	10,617	8,330
Employee entitlements	18	1,490	-	1,305	2,526	2,174
Current tax payable	3 (c)	-	-	-	4,398	2,132
Total current liabilities		**69,546**	**65,483**	**49,694**	**78,211**	**57,427**

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 2018	Notes	Council 2018 $'000	Council Budget $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Non-current liabilities						
Borrowings	15	55,263	139,082	75,466	112,263	122,466
Other financial liabilities	16	2,106	-	1,298	2,242	1,298
Other non-current liabilities	17	11,159	-	-	-	115
Deferred tax liabilities	3 (d)	-	-	-	15,343	15,080
Total non-current liabilities		**68,528**	**139,082**	**76,764**	**129,848**	**138,959**
Total liabilities		**138,074**	**204,565**	**126,458**	**208,059**	**196,386**
Net assets		**1,204,780**	**1,093,579**	**1,145,957**	**1,475,938**	**1,376,052**
Equity						
Reserves	19	566,925	459,430	555,209	720,695	683,780
Accumulated funds	20	637,855	634,149	590,748	685,931	633,091
Total equity attributable to Council		**1,204,780**	**1,093,579**	**1,145,957**	**1,406,626**	**1,316,871**
Non-controlling interest	21	-	-	-	69,312	59,181
Total equity		**1,204,780**	**1,093,579**	**1,145,957**	**1,475,938**	**1,376,052**

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

Jim Boult
Mayor
25 October 2018

Mike Theelen
Chief Executive
25 October 2018

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 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	19/20	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**
For the year ended 30 June 2017									
Balance at 1 July 2016	19/20	430,044	14,616	21,329	-	558,581	1,024,570	-	1,024,570
Total comprehensive revenue and expense for the year		56,540	-	-	-	64,847	121,387	-	121,387
Transfers from/(to) accumulated funds	19/20	31,499	1,250	(69)	-	(32,680)	-	-	-
Balance at 30 June 2017		**518,083**	**15,866**	**21,260**	**-**	**590,748**	**1,145,957**	**-**	**1,145,957**

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 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**
For the year ended 30 June 2017									
Balance at 1 July 2016	19/20	536,703	14,616	21,329	(989)	596,486	1,168,145	49,914	1,218,059
Total comprehensive revenue and expense for the year	19/20	79,064	-	-	377	69,285	148,726	10,832	159,558
Dividends paid	21	-	-	-	-	-	-	(1,565)	(1,565)
Transfers from/(to) accumulated funds	19/20	31,499	1,250	(69)	-	(32,680)	-	-	-
Balance at 30 June 2017		**647,266**	**15,866**	**21,260**	**(612)**	**633,091**	**1,316,871**	**59,181**	**1,376,052**

Statement of Cash Flows

For the financial year ended 30 June 2018	Notes	Council 2018 $'000	Council Budget $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities						
Receipts from customers		146,770	123,816	123,730	201,633	160,431
Interest received		414	-	166	432	202
Dividends received		5,377	3,822	4,699	-	-
Payments to suppliers and employees		(90,946)	(84,569)	(84,448)	(126,944)	(95,992)
Finance costs paid		(4,533)	(8,613)	(4,194)	(6,318)	(5,821)
Income tax paid		-	-	-	(4,474)	(3,640)
Subvention receipt		-	-	555	-	-
Net GST (payment) /receipt		(332)	-	4	(332)	4
Net cash inflow/(outflow) from operating activities	**28 (c)**	**56,750**	**34,456**	**40,512**	**63,997**	**55,184**
Cash flows from investing activities						
Purchase of investments		(160)	-	(10,160)	(160)	(10,160)
Sale of investments		1,087	-	-	1,087	-
Sale of investment property		578	-	-	578	-
Sale of development property		-	-	-	-	-
Purchase of property, plant and equipment		(48,775)	(64,116)	(45,598)	(59,239)	(66,301)
Purchase of investment property		(299)	-	(16)	(299)	(16)
Purchase of intangible assets		(1,524)	-	(360)	(2,333)	(783)
Proceeds from sale of property, plant and equipment		3,268	-	161	68	184
Net cash inflow/(outflow) from investing activities		**(45,825)**	**(64,116)**	**(55,973)**	**(60,298)**	**(77,076)**
Cash flows from financing activities						
Proceeds from borrowings		10,000	77,660	17,001	20,000	24,991
Repayment of borrowings		(17,223)	(48,000)	(223)	(17,223)	(223)
Dividends paid		-	-	-	(1,792)	(1,565)
Net cash inflow /(outflow) from financing activities		**(7,223)**	**29,660**	**16,778**	**985**	**23,203**
Net increase/(decrease) in cash and cash equivalents		3,702	-	1,317	4,684	1,311
Cash and cash equivalents at the beginning of the financial year		6,326	337	5,009	7,241	5,930
Cash and cash equivalents at the end of the financial year		**10,028**	**337**	**6,326**	**11,925**	**7,241**
Represented by:						
Cash and cash equivalents		10,028	337	6,326	11,925	7,241
Bank overdraft		-	-	-	-	-
		10,028	**337**	**6,326**	**11,925**	**7,241**

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

The financial statements of the Council and Group are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 25 October 2018.

BASIS OF PREPARATION

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

Statement of Compliance

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

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

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

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

Presentation Currency and Rounding

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

Standards Issued and not yet Effective that have been Early Adopted

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

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

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

Other Changes in Accounting Policies

There have been no other changes in accounting policies.

Standards Issued and not yet Effective and not Early Adopted

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

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 2019 financial statements. The Council and Group have not yet assessed the effects of this new standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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

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

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

(i) Revenue from Non-Exchange Transactions

General and Targeted Rates

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

User Charges and Other Income – Subsidised

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

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

Grants and Subsidies

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

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

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

Vested Assets

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

Development Contributions

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

(ii) Revenue from Exchange Transactions

User Charges and Other Income – Full Cost Recovery

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

Interest Revenue

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

Dividend Revenue

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

Property Sales

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

Grant Expenditure

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

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

Borrowing Costs

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

Leases

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

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

(a) Council and/or Group as Lessor

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

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

(b) Council and/or Group as Lessee

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

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

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

(c) Lease Incentives

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

Taxation

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

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

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

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

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

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

Goods and Services Tax

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

Cash and Cash Equivalents

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

Financial Instruments

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

(i) Financial Assets

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

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

Financial Assets at Fair Value Through Surplus or Deficit

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

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

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

Held-to-Maturity Investments

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

Available-for-Sale Financial Assets

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

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

Loans and Receivables

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

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

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

Impairment of Financial Assets

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

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

(ii) Financial Liabilities

Trade and Other Payables

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

Borrowings

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

(iii) Derivative Financial Instruments

The Group enters into certain derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 32 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 Intended for Sale

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

Property, Plant and Equipment

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

Operational Assets

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

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

Roads, Bridges and Lighting

Roads, bridges and lighting are stated at fair value, which is optimised depreciated replacement cost value as at 1 July 2016 by Beca Valuations Limited, independent valuers. Acquisitions subsequent to 1 July 2016 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 non-current assets.

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

Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its subsidiaries as defined in NZ IFRS10 Consolidated Financial Statements. A list of subsidiaries appears in note 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 32.

Financial Guarantee Contracts

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

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

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

Budget Figures

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

Allocation of Overheads

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

Critical Accounting Estimates and Assumptions

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

Infrastructural Assets

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

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

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

Provision for Legal Claims against Council

Council’s liability in relation to claims relating to alleged weathertightness building defects has not been established. It is not possible to determine the outcome of claims at this stage. The loss provision is based on current knowledge and historic settlement of claims against Council. Refer to note 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 2018.

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% - 4.5%. 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

	Notes	Council 2018 $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Revenue from non-exchange transactions consisted of the following items:					
Rates revenue:					
General rates		2,778	2,542	2,774	2,539
Targeted rates		63,781	59,483	63,405	59,154
		66,559	**62,025**	**66,179**	**61,693**
Other revenue:					
User charges - subsidised		5,434	4,776	5,434	4,776
Development contributions		15,985	13,112	15,963	12,704
Grants and subsidies		12,178	15,165	12,178	15,165
Vested assets		30,684	8,493	30,684	8,493
Other revenue		6,514	5,724	6,357	5,255
		70,795	**47,270**	**70,616**	**46,393**

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 2018 $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Revenue from exchange transactions consisted of the following items:					
Other revenue:					
User charges - full cost recovery		26,870	23,379	31,442	26,413
Landing dues		-	-	26,613	23,403
Dividend income		5,377	4,699	-	-
Operating lease rental revenue		-	-	12,845	11,330
Other revenue - full cost recovery		3,270	3,240	3,963	4,037
Finance Income:					
Bank deposits		636	165	654	212
Inland Revenue Department		3	1	3	1
		36,156	**31,484**	**75,520**	**65,396**
Other gains/(losses)					
Gain/(loss) on revaluation of investment property		2,021	31,499	2,021	31,499
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	1	93	8
Gain/(loss) in fair value of shares		-	4	-	4
Gain/(loss) in fair value of forestry assets		-	-	597	732
Gain/(loss) in fair value of derivative financial instruments classified at fair value through profit or loss		(642)	898	(614)	993
		2,691	**32,402**	**2,115**	**33,236**

2. Surplus from Operations continued

	Notes	Council 2018 $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
(c) Employee benefits expense					
Salaries and wages		24,513	20,325	30,196	25,017
		24,513	**20,325**	**30,196**	**25,017**
(d) Depreciation and amortisation expense					
Depreciation of property, plant and equipment	10	24,558	21,429	31,896	28,180
Amortisation of intangible assets	12	590	964	1,246	1,535
		25,148	**22,393**	**33,142**	**29,715**
(e) Finance costs					
Interest on loans		3,957	3,771	6,430	5,723
		3,957	**3,771**	**6,430**	**5,723**
(f) Other expenses					
Increase/(decrease) in allowance for doubtful debts		552	342	583	357
Bad debts written off		266	-	288	-
Operating lease rental expenses:					
Minimum lease payments		1,264	990	1,264	990
Legal claims against Council	17	2,440	2,756	2,440	2,756
Operating expenses		66,578	58,312	72,983	65,423
		71,100	**62,400**	**77,558**	**69,526**

2. Surplus from Operations continued

For the financial year ended 30 June 2018	Council 2018 $'000	Council 2017 $'000
(g) Summary cost of services by group of activity (Council only)		
(i) Revenue*		
Local Democracy	5,413	4,770
Community	21,144	15,229
Economy	5,926	34,961
Environment	7,026	6,809
Roading and Parking	25,962	21,866
Water Supply	8,478	2,513
Stormwater	6,692	2,029
Wastewater	10,697	5,783
Regulatory	9,900	9,462
Waste Management	7,445	5,912
Other	959	1,822
Targeted rates	64,405	60,097
General rates	2,778	2,542
Internal rates	(624)	(614)
Total revenue	**176,201**	**173,181**
(ii) Expenditure*		
Local Democracy	3,954	3,221
Community	26,930	24,200
Economy	7,521	7,575
Environment	13,937	13,307
Roading and Parking	22,143	17,875
Water Supply	9,052	8,632
Stormwater	2,878	2,510
Wastewater	13,204	10,892
Regulatory	14,758	12,094
Waste Management	10,873	9,165
Other	92	32
Internal rates	(624)	(614)
Total operating expenditure	**124,718**	**108,889**

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

For the financial year ended 30 June 2018	Council 2018 $'000	Council 2017 $'000
(iii) Depreciation and amortisation expense		
Local Democracy	11	11
Community	4,340	3,818
Economy	8	8
Environment	-	-
Roading and Parking	9,689	8,809
Water Supply	3,074	2,872
Stormwater	1,945	1,877
Wastewater	5,028	3,636
Regulatory	24	26
Waste Management	125	120
Other	904	1,216
Total depreciation and amortisation expense	**25,148**	**22,393**

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Tax expense/(income) comprises:				
Current tax expense/(credit):				
Current year	-	-	6,651	5,242
Subvention payment	-	-	-	(555)
Adjustments for prior years	-	-	16	(58)
	-	**-**	**6,667**	**4,629**
Deferred tax expense/(credit):				
Origination and reversal of temporary differences	-	-	(530)	(314)
Amortisation of tax component of derivatives	-	-	(119)	(95)
Adjustments for prior years	-	-	(13)	30
	-	**-**	**(662)**	**(379)**
Total tax expense/(income)	**-**	**-**	**6,005**	**4,250**

During the year ended 30 June 2017, QAC made a subvention payment of $554,541 to QLDC in order to purchase $1.98m of tax losses at 28c per $1.00 of tax loss. These tax losses were used to offset tax payable for the year ended 30 June 2016 and were recognised in the prior year's tax expense for the Group as a subvention payment. No subvention payment was made in the current year.

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

Surplus /(deficit) before income tax	51,483	64,847	67,104	76,737
Income tax expense calculated at 28%	14,415	18,157	18,789	21,486
Non assessable income and expenses	(14,415)	(18,157)	(12,787)	(16,832)
Reversal of temporary difference	-	-	122	116
Adjustments for prior years	-	-	-	(26)
Subvention payment	-	-	-	(399)
Amortisation of tax component of derivatives	-	-	(119)	(95)
Other	-	-	-	-
Income tax expense/(credit)	**-**	**-**	**6,005**	**4,250**

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2017: 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 $112k (2017: $118k 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. Deferred tax of $0.9m (2017: $2.0m) 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 for Queenstown Airport Corporation.

(c) Current tax assets and liabilities

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current tax payable:				
Current tax payable	-	-	4,398	2,132

(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
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)**

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

3. Income Taxes continued

(e) Imputation Credit Account Balances

	Council		Group	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at beginning of year	589	589	14,932	12,736
Taxation paid	-	-	6,665	5,270
Imputation credits on dividends paid	-	-	(2,788)	(2,436)
Refund of tax	-	-	-	(638)
Balance at end of year	**589**	**589**	**18,809**	**14,932**
Imputation credits available directly and indirectly to Council through:				
Council	589	589	589	589
Subsidiaries	-	-	18,220	14,343
	589	**589**	**18,809**	**14,932**

4. Key Management Personnel Compensation

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Councillors				
Remuneration	526	540	526	540
Full-time equivalent members	15	15	15	15
Senior Management Team, including Chief Executive				
Remuneration	1,407	987	2,881	2,234
Full-time equivalent members	6	5	11	9
Directors' fees	-	-	271	184
	1,933	**1,527**	**3,678**	**2,958**

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Audit fees for financial statement audit	180	175	243	240
Audit of long term plan	145	-	145	-
Audit fees for assurance and related services	7	5	33	30
Fees for tax services	-	10	-	10
Fees for other services	-	31	-	31
	332	**221**	**421**	**311**

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

6. Trade and Other Receivables

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
From non-exchange transactions				
Trade receivables (i)	677	1,331	677	1,331
Infringement receivables (i)	1,869	1,564	1,869	1,564
Rates receivables (i)	3,327	3,053	3,327	3,053
New Zealand Transport Agency	1,522	1,910	1,522	1,910
Other (i)	134	111	134	111
Allowance for doubtful debts (ii)	(1,572)	(1,244)	(1,572)	(1,244)
	5,957	**6,725**	**5,957**	**6,725**
From exchange transactions				
Trade receivables (i)	4,064	3,376	7,854	5,874
Other (i)	5,472	3,493	5,472	3,493
Allowance for doubtful debts (ii)	(314)	(264)	(360)	(279)
	9,222	**6,605**	**12,966**	**9,088**
	15,179	**13,330**	**18,923**	**15,813**

(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	
	2018	2017	2018	2017
Trade and other receivables (excluding rates)	$'000	$'000	$'000	$'000
Current (0-30 days)	10,102	8,296	12,951	9,927
31-60 days *	511	740	1,106	1,346
61-90 days *	317	354	564	566
90 days + *	980	929	1,033	963
	11,910	**10,319**	**15,654**	**12,802**
Rates receivables				
Current (0-30 days)	1,069	984	1,069	984
31 days - 1 year *	931	1,147	931	1,147
1 year + *	1,269	880	1,269	880
	3,269	**3,011**	**3,269**	**3,011**
Total receivables	**15,179**	**13,330**	**18,923**	**15,813**

* Amounts are considered past due.

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Disclosed in the financial statements as:				
Current				
Exchange transactions	5,957	6,725	5,957	6,725
Non-exchange transactions	9,222	6,605	12,966	9,088
Non-current	-	-	-	-
	15,179	**13,330**	**18,923**	**15,813**

(iii) Movement in the allowance for doubtful debts:

	Council 2018	Council 2017	Group 2018	Group 2017
Balance at beginning of year	(1,508)	(1,477)	(1,523)	(1,477)
Amounts written off during year	577	301	577	301
Amounts recovered during year	-	-	-	-
Additional allowance recognised in Statement of Financial Performance	(955)	(332)	(986)	(347)
Balance at end of year	**(1,886)**	**(1,508)**	**(1,932)**	**(1,523)**

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Other investments held	1,248	1,408	1,248	1,408
Advances to community organisations	459	727	459	727
Term deposits	9,500	10,000	9,500	10,000
Short term investments	13	13	13	13
Interest rate swaps (i)	-	-	-	239
Foreign exchange forward contracts (ii)	-	-	-	24
	11,220	**12,148**	**11,220**	**12,411**
Represented by:				
Current	9,513	10,013	9,513	10,013
Non-current	1,707	2,135	1,707	2,398
	11,220	**12,148**	**11,220**	**12,411**

(i) QAC holds four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016. Refer also to note 16. (2017: four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016). The interest rates range from 2.345%-2.623% (2017: 2.345%-2.623%).

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

(ii) The notional principal amounts of outstanding forward foreign exchange contracts held by QAC were $0.69m (2017: $1.1m). Refer also to note 16.

8. Other Current Assets

	Council		Group	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Prepayments	1,214	797	1,703	1,189
	1,214	**797**	**1,703**	**1,189**

9. Development Property

	Council		Group	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Land	12,503	-	12,503	-
	12,503	**-**	**12,503**	**-**
Balance at beginning of year	-	-	-	-
Reclassified from investment property	12,503	-	12,503	-
Balance at end of year	**12,503**	**-**	**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 during 2018/19.

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 158.

10. Property, Plant and Equipment

Council 2017	Cost/ valuation 1-Jul-16 $'000s	Additions $'000s	Disposals/ write offs $'000s	Revaluations	Cost/ valuation 30-Jun-17 $'000s	Accumulated depreciation and impairment charges 1-Jul-16 $'000s	Accumulated depreciation and impairment charges reversed on revaluation $'000s	Depreciation expense $'000s	Accumulated depreciation reversed on disposal $'000s	Accumulated depreciation and impairment charges 30-Jun-17 $'000s	Carrying amount 30-Jun-17 $'000s
Operational assets											
At cost											
Land	75,468	2,247	-	-	77,715	-	-	-	-	-	77,715
Buildings	63,640	7,190	-	-	70,830	(12,892)	-	(1,180)	-	(14,072)	56,758
Building improvements	36,702	2,585	-	-	39,287	(19,253)	-	(1,913)	-	(21,166)	18,121
Plant and machinery	9,742	1,588	(243)	-	11,087	(5,306)	-	(656)	140	(5,822)	5,265
Motor vehicles	760	-	(389)	-	371	(555)	-	(41)	332	(264)	107
Furniture and office equipment	5,116	331	-	-	5,447	(4,090)	-	(201)	-	(4,291)	1,156
Computer equipment	3,192	317	-	-	3,509	(2,767)	-	(163)	-	(2,930)	579
Library books	3,814	254	-	-	4,068	(3,585)	-	(228)	-	(3,813)	255
Total operational assets	**198,434**	**14,512**	**(632)**	**-**	**212,314**	**(48,448)**	**-**	**(4,382)**	**472**	**(52,358)**	**159,956**
Campground assets											
At fair value											
Land (vi)	35,325	-	-	3,000	38,325	-	-	-	-	-	38,325
Buildings (vi)	7,675	53	-	(53)	7,675	-	-	-	-	-	7,675
Total campground assets	**43,000**	**53**	**-**	**2,947**	**46,000**	**-**	**-**	**-**	**-**	**-**	**46,000**
Infrastructural assets											
At fair value											
Water supply (ii)	132,920	5,083	-	9,482	147,485	(7,377)	7,378	(2,872)	-	(2,871)	144,614
Sewerage (ii)	182,625	9,950	-	2,015	194,590	(10,071)	10,071	(3,636)	-	(3,636)	190,954
Stormwater (ii)	103,249	5,379	-	17,454	126,082	(4,808)	4,808	(1,877)	-	(1,877)	124,205
Roading (iii)	516,005	20,128	-	(24,123)	512,010	(26,508)	26,507	(8,662)	-	(8,663)	503,347
Total infrastructural assets	**934,799**	**40,540**	**-**	**4,828**	**980,167**	**(48,764)**	**48,764**	**(17,047)**	**-**	**(17,047)**	**963,120**
Total property, plant and equipment	**1,176,233**	**55,105**	**(632)**	**7,775**	**1,238,481**	**(97,212)**	**48,764**	**(21,429)**	**472**	**(69,405)**	**1,169,076**

(ii), (iii), (vi) refer to explanatory notes on page 158.

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 158.

10. Property, Plant and Equipment

	Cost/ valuation 1-Jul-16 $'000s	Additions $'000s	Disposals/ write offs $'000s	Revaluation	Cost/ valuation 30-Jun-17 $'000s	Accumulated depreciation and impairment charges 1-Jul-16 $'000s	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense $'000s	Accumulated depreciation reversed on disposal $'000s	Other $'000s	Accumulated depreciation and impairment charges 30-Jun-17 $'000s	Carrying amount 30-Jun-17 $'000s
	Group 2017											
Operational sssets												
At cost												
Land	75,468	2,247	-	-	77,715	-	-	-	-	-	-	77,715
Buildings	63,640	7,190	-	-	70,830	(12,892)	-	(1,180)	-	-	(14,072)	56,758
Building improvements	36,702	2,585	-	-	39,287	(19,253)	-	(1,913)	-	-	(21,166)	18,121
Plant and machinery	16,194	3,711	(338)	-	19,567	(9,242)	-	(1,382)	140	191	(10,293)	9,274
Motor vehicles	3,507	20	(466)	-	3,061	(2,024)	-	(210)	369	22	(1,843)	1,218
Furniture and office equipment	10,236	672	(137)	-	10,771	(6,505)	-	(645)	-	137	(7,013)	3,758
Computer equipment	3,192	317	-	-	3,509	(2,767)	-	(163)	-	-	(2,930)	579
Library books	3,815	254	-	-	4,069	(3,586)	-	(228)	-	-	(3,814)	255
Total operational assets	**212,754**	**16,996**	**(941)**	**-**	**228,809**	**(56,269)**	**-**	**(5,721)**	**509**	**350**	**(61,131)**	**167,678**
Campground assets												
At fair value												
Land (vi)	35,325	-	-	3,000	38,325	-	-	-	-	-	-	38,325
Buildings (vi)	7,675	53	-	(53)	7,675	-	-	-	-	-	-	7,675
Total campground assets	**43,000**	**53**	**-**	**2,947**	**46,000**	**-**	**-**	**-**	**-**	**-**	**-**	**46,000**
Airport assets												
At fair value												
Land (iv)	136,392	13,859	-	24,816	175,067	-	-	-	-	-	-	175,067
Land improvements (iv)	10,009	-	(241)	928	10,696	(241)	241	(139)	-	-	(139)	10,557
Buildings (iv)	53,508	1,926	(3,879)	1,349	52,904	(3,879)	3,879	(2,726)	-	-	(2,726)	50,178
Airport runways (iv)	37,091	732	(1,934)	2,704	38,593	(1,934)	1,934	(1,695)	-	-	(1,695)	36,898
Roading and carparking (iv)	12,938	3,812	(1,132)	2,258	17,876	(1,037)	1,037	(852)	-	-	(852)	17,024
Total airport assets	**249,938**	**20,329**	**(7,186)**	**32,055**	**295,136**	**(7,091)**	**7,091**	**(5,412)**	**-**	**-**	**(5,412)**	**289,724**
Infrastructural assets												
At fair value												
Water supply (ii)	132,920	5,083	-	9,482	147,485	(7,377)	7,378	(2,872)	-	-	(2,871)	144,614
Sewerage (ii)	182,627	9,950	-	2,015	194,592	(10,071)	10,071	(3,636)	-	-	(3,636)	190,956
Stormwater (ii)	103,248	5,379	-	17,454	126,081	(4,808)	4,808	(1,877)	-	-	(1,877)	124,204
Roading (iii)	516,004	20,128	-	(24,123)	512,009	(26,508)	26,507	(8,662)	-	-	(8,663)	503,346
Total infrastructural assets	**934,799**	**40,540**	**-**	**4,828**	**980,167**	**(48,764)**	**48,764**	**(17,047)**	**-**	**-**	**(17,047)**	**963,120**
Total property, plant and equipment	**1,440,491**	**77,918**	**(8,127)**	**39,830**	**1,550,112**	**(112,124)**	**55,855**	**(28,180)**	**509**	**350**	**(83,590)**	**1,466,522**

(ii), (iii), (iv), (vi) refer to explanatory notes on page 158.

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 1 July 2016 by Rationale, independent valuers. Acquisitions subsequent to 1 July 2016 are at cost.

(iii) Roading assets are stated at valuation which is optimised depreciated replacement cost value as at 1 July 2016 by Beca Projects New Zealand Limited, independent valuers. Acquisitions subsequent to 1 July 2016 are at cost.

(iv) Airport assets held by QAC 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.

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	**Council 2018**	**Council 2017**	**Group 2018**	**Group 2017**
Building Improvements	1,955	1,311	1,955	1,311
Plant and equipment	-	-	350	679
Computer equipment	-	-	-	-
Furniture and office equipment	-	-	-	-
Library books	-	-	-	-
Airport runway	-	-	169	-
Water supply	3,456	4,124	3,456	4,124
Sewerage	7,423	5,993	7,423	5,993
Stormwater	993	5,239	993	5,239
Roading & carparking	5,157	16,713	5,157	20,548
	21,136	**38,918**	**26,823**	**48,369**

11. Forestry Assets

	Council		**Group**	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Balance at beginning of year	-	-	1,849	1,117
Gains/(losses) arising from changes in fair value less estimated point of sales costs	-	-	597	732
Balance at end of year	**-**	**-**	**2,446**	**1,849**

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

No forests have been harvested during the period (2017: nil).

Independent registered valuers, Laurie Forestry, have valued forestry assets at $2,446,000 (2017: $1,849,000). 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 2018/19 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at beginning of year	4,651	4,291	8,597	7,829
Additions	1,531	360	2,416	1,152
Transfer to property, plant and equipment	-	-	-	(384)
Disposals	(15)	-	(15)	-
Balance at end of year	**6,167**	**4,651**	**10,998**	**8,597**
Accumulated amortisation & impairment				
Balance at beginning of year	3,978	3,014	4,999	3,479
Amortisation expense (i)	590	964	1,246	1,535
Transfer to property, plant and equipment	-	-	-	(15)
Disposals	(8)	-	(8)	-
Balance at end of year	**4,560**	**3,978**	**6,237**	**4,999**
Net book value	**1,607**	**673**	**4,761**	**3,598**

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

The gross carrying amount of $10,998,000 for the Group comprises:

- The finite life intangible asset of $6,167,000 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 $4,831,000 represents costs incurred by the Queenstown Airport Corporation Limited in relation to district planning processes for extension of noise boundaries, amendments to flight fans and evening flight safety cases. These costs will be amortised on a straight line basis over 6-9 years, 15 years and 1-2 years respectively from the date they are completed and ready to use.

13. Investment Property

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of year (i)	63,770	32,255	63,770	32,255
Additions from subsequent expenditure	299	16	299	16
Sale of property	(425)	-	(425)	-
Reclassified to development property (note 9)	(12,503)	-	(12,503)	-
Net gain/(loss) from fair value adjustments	2,021	31,499	2,021	31,499
Balance at end of year	**53,162**	**63,770**	**53,162**	**63,770**

(i) Campground assets have been reclassified to Property, Plant and Equipment at 1 July 2016 as these are classified as strategic assets.

The fair value of the Council's investment property at 30 June 2018 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables (i)	11,907	11,294	13,442	11,816
Other accrued charges	9,716	6,935	11,481	11,101
Deposits and bonds	5,448	4,389	5,448	4,389
	27,071	**22,618**	**30,371**	**27,306**

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

15. Borrowings

	Council		Group	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
At amortised cost				
Bank borrowings (secured) (i), (ii)	-	-	57,000	47,000
Bonds (secured) (i), (iv)	85,446	92,649	85,446	92,649
Other borrowings (iii)	20	40	20	40
	85,466	**92,689**	**142,466**	**139,689**
Disclosed in the financial statements as:				
Current	30,203	17,223	30,203	17,223
Non-current	55,263	75,466	112,263	122,466
	85,466	**92,689**	**142,466**	**139,689**

(i) Council borrowings are secured through a debenture trust deed over rates, as well as security stock certificates of $164m (2017: $164m). No bank borrowings were drawn down as at 30 June 2018 (2017: nil).

(ii) Queenstown Airport Corporation Ltd (QAC) loans of $57m are secured by a first debenture charge over QAC assets and also a registered first mortgage over all QAC property.

(iii) The Council has an interest free loan from the Community Trust of Southland which is repayable within 5 years. The balance outstanding at 30 June 2018 was $20,000 which is repayable within 1 year.

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

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

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

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

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

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%.

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 2018, NZLGFA had borrowings totalling $8,272m (2017: $7,946m).

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Interest rate swaps (i), (ii)	2,202	1,560	2,311	1,560
Foreign exchange forward contracts (iii)	-	-	27	-
	2,202	**1,560**	**2,338**	**1,560**
Disclosed in the financial statements as:				
Current	96	262	96	262
Non-current	2,106	1,298	2,242	1,298
	2,202	**1,560**	**2,338**	**1,560**

(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 (2017: three interest rate swap agreements, one for $15m and two for $10m, which are effective from 16 March 2015, 11 December 2013 and 11 December 2018). The interest rate is fixed at 4.355%, 3.955%, 3.595% and 3.1875% respectively (2017: 4.355%, 3.955% and 3.595% respectively).

(ii) QAC holds four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016. Refer also to note 7. (2017: four interest rate swap agreements, one for $2.5m, two for $5m and one for $10m, which are all effective from 15 June 2016). The interest rates range from 2.345%-2.623% (2017: 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 $0.69m.

17. Other Liabilities

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Income in advance (i)	15,348	3,996	4,120	4,040
Rates in advance	497	490	497	490
Other provisions (ii)	6,000	3,800	6,000	3,800
Other liabilities	-	-	-	115
	21,845	**8,286**	**10,617**	**8,445**
Disclosed in the financial statements as:				
Current	10,686	8,286	10,617	8,330
Non-current	11,159	-	-	115
	21,845	**8,286**	**10,617**	**8,445**

(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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Accrued salary and wages	505	417	1,094	919
Annual leave	985	888	1,432	1,255
	1,490	**1,305**	**2,526**	**2,174**
Disclosed in the financial statements as:				
Current	1,490	1,305	2,526	2,174
	1,490	**1,305**	**2,526**	**2,174**

19. Reserves

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revaluation reserve (a)	527,060	518,083	681,428	647,266
Operating reserves (b)	19,656	15,866	19,656	15,866
Capital reserves (c)	20,209	21,260	20,209	21,260
Cash flow hedge reserve (d)	-	-	(598)	(612)
	566,925	**555,209**	**720,695**	**683,780**

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of year	518,083	430,044	647,266	536,703
Revaluation of roading assets	-	2,384	-	2,384
Revaluation of sewerage assets	-	12,086	-	12,086
Revaluation of water supply assets	-	16,860	-	16,860
Revaluation of stormwater assets	-	22,263	-	22,263
Revaluation of campground assets	(2,850)	2,947	(2,850)	2,947
Revaluation of airport assets, net of deferred tax	10,190	-	35,375	22,524
Transferred from/(to) accumulated surplus:				
Revaluation of investment property	2,021	31,499	2,021	31,499
Disposal of investment property	(384)	-	(384)	-
Balance at end of year	**527,060**	**518,083**	**681,428**	**647,266**

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Individual reserve balances are as follows:				
Investment property	66,828	53,867	66,828	53,867
Campground assets	31,826	46,000	31,826	46,000
Roading	158,140	158,140	158,140	158,140
Sewerage	87,322	87,322	87,322	87,322
Water supply	85,387	85,387	85,387	85,387
Stormwater	87,367	87,367	87,367	87,367
Airport assets	10,190	-	164,558	129,183
	527,060	**518,083**	**681,428**	**647,266**

(b) Operating reserves

	Council		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of year	15,866	14,616	15,866	14,616
Transferred from/(to) accumulated surplus:				
Contributions	16,189	13,354	16,189	13,354
Disbursements	(12,399)	(12,104)	(12,399)	(12,104)
Balance at end of year	**19,656**	**15,866**	**19,656**	**15,866**

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of year	21,260	21,329	21,260	21,329
Transferred from/(to) accumulated surplus:				
Contributions	18,991	16,630	18,991	16,630
Disbursements	(20,042)	(16,699)	(20,042)	(16,699)
Balance at end of year	**20,209**	**21,260**	**20,209**	**21,260**

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	(612)	(989)
Gain/(loss) recognised on cash flow hedges:				
Interest rate swaps	-	-	(262)	299
Forward foreign exchange contracts	-	-	(38)	18
Realised losses transferred to Statement of Financial Performance	-	-	230	149
Income tax related to gains/losses recognised in other comprehensive income	-	-	84	(89)
Balance at end of year	**-**	**-**	**(598)**	**(612)**

19. Reserves continued

(e) Reserve funds held for a specific purpose

	Opening Balance 1 July 2017 $'000	Deposits $'000	Withdrawals $'000	Closing Balance 30 June 2018 $'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	15,866	16,189	12,399	19,656
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.	416	12,536	10,220	2,732
Transport improvement fund Funds set aside to subsidise public transport and the development of public transport infrastructure.	324	1,078	-	1,402
Asset sale reserves Proceeds from asset sales which are used to fund the portion of capital expenditure attributable to increased level of service for roading, water supply, sewerage, stormwater, reserve land and improvements, and community facilities.	16,355	-	6,000	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.	212	5,377	3,822	1,767
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	**37,126**	**35,180**	**32,441**	**39,865**
QAC cash flow hedge reserve	(612)	313	299	(598)
Total Council reserve funds	**36,514**	**35,493**	**32,740**	**39,267**

20. Accumulated Funds

	Council		Group	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	590,748	558,581	633,091	596,485
Net surplus	51,483	67,959	57,216	72,398
Transfers from/(to) reserves:				
Revaluation reserve	(1,637)	(34,611)	(1,637)	(34,611)
Operating reserves	(3,790)	(1,250)	(3,790)	(1,250)
Capital reserves	1,051	69	1,051	69
Balance at end of year	**637,855**	**590,748**	**685,931**	**633,091**

21. Non-Controlling Interest

	Council		Group	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	-	-	59,181	49,915
Share of surplus for year	-	-	3,883	3,201
Dividends paid	-	-	(1,792)	(1,565)
Share of other comprehensive income	-	-	8,040	7,630
Balance at end of year	**-**	**-**	**69,312**	**59,181**

22. Commitments for Expenditure

(a) Capital expenditure commitments

	Council		Group	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Queenstown Lakes District Council (i)	10,396	23,858	10,396	23,858
Queenstown Airport Corporation Limited	-	-	7,349	1,348
Balance at end of year	**10,396**	**23,858**	**17,745**	**25,206**

(i) Council had a significant capital works programme scheduled for 2017/18. Major projects contracted as at 30 June 2017 included Eastern Access Road ($11.5m) and the Wanaka Aquatic Centre ($7.8m). Major projects for the capital works programme scheduled for 2018/19 were still being negotiated at 30 June 2018.

Capital expenditure commitments for QAC include $6.8m in relation to the apron overlay.

(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. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

(b) Guarantees

Queenstown Lakes District Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+. See note 15 (iv) for further details.

Queenstown Airport Corporation Limited

(c) Noise mitigation

QAC has implemented a programme of works to assist homeowners closest to the airport to mitigate the effects of aircraft noise within defined airport noise boundaries.This financial year QAC progresses the delivery of inner noise mitigation packages offered to the 11 properties as at 30 June 2017. As at 30 June 2018, QAC has started inner noise mitigation works on 7 houses at a cost of $625,000. These costs have been recognised as part of buildings within property, plant and equipment (see note 10). The cost to complete these houses plus the estimated cost of 1 house that has since accepted is $235,000 which has been disclosed as a capital commitment.

In early June 2018, 107 letters were sent out, 84 offering mid-noise mitigation works (mechanical ventilation packages), and 23 for the second round of inner noise mitigation packages. Subsequent to 30 June 2018, 38 of 107 homeowners had replied and requested to proceed with design prior to determining whether to accept the offers.

Noise levels are monitored regularly and as the noise zones expand, further offers will be made. QAC estimates approximately 200 properties eventually will be offered noise mitigation under the approved/consented boundaries. As it is not possible to predict accurately the rate of change in aircraft noise levels over time, nor the rate of acceptance of offers of mitigation packages to homeowners, QAC cannot accurately predict the overall cost or timing of mitigation works.

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Not longer than 1 year	1,215	919	1,314	958
Longer than 1 year and not longer than 5 years	1,998	1,785	2,067	1,845
Longer than 5 years	635	794	635	794
Balance at end of year	**3,848**	**3,498**	**4,016**	**3,597**

(c) Non-cancellable operating lease receipts

	Council		Group	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Not longer than 1 year	4,454	4,466	13,287	13,589
Longer than 1 year and not longer than 5 years	8,324	10,735	23,297	27,134
Longer than 5 years	33,680	36,403	35,772	41,498
Balance at end of year	**46,458**	**51,604**	**72,356**	**82,221**

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

	Council 2018 $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Queenstown Airport Corporation Limited	5,412	5,412	-	-
Lakes Combined Afforestation Committee	838	838	-	-
	6,250	**6,250**	**-**	**-**

	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %	Principal activity of the entity
Council				
Queenstown Lakes District Council (QLDC) (i)	NZ			
CCO's:				
Queenstown Airport Corporation Limited (QAC) (ii)	NZ	75.01%	75.01%	Airport operator
Lakes Combined Afforestation Committee	Not incorporated	75%	75%	Forestry
Queenstown Events Centre Trust (iii)	NZ	N/A	N/A	Charitable trust

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

(ii) On 22 August 2017 a final dividend for the year ended 30 June 2017 of $0.3841 per share (total dividend $6,169,007) was paid to holders of fully paid ordinary shares. QLDC's share of this dividend was $4,627,372.
On 16 February 2018 an interim dividend for the year ended 30 June 2018 of $0.0623 per share (total dividend $1,000,000) was paid to holders of fully paid ordinary shares. QLDC's share of this dividend was $750,100.

(iii) Not trading

All entities in the Group have 30 June balance dates.

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

26. Subsequent Events

On 8 August 2018 additional LFGA borrowings were entered into of $10m with the money currently being held in a new term deposit.

Queenstown Airport Corporation Ltd (QAC)

On 21 August 2018 the QAC Board resolved to pay a final dividend for the year ended 30 June 2018 of $0.3852 per share, resulting in a dividend of $6,186,386 (2017: $6,169,007). QLDC's share of this was $4,640,408 (2017: $4,627,372).

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 2018 $'000	Group 2017 $'000
The following transactions took place between QLDC and related parties:		
Queenstown Airport Corporation Limited *		
Payment of rates on its property	380	332
Resource consent costs and collection fees	8	22
Development contributions	22	408
Payment for construction works	626	549
Rent - NASA lease	39	24
Other	5	8
Wanaka airport management fee	175	230
Parking infringement services	76	-
Dividends	5,377	4,699
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	1	957

*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.

	2018	2017
The following transactions took place between Queenstown Airport Corporation and related parties:		
Hadley Consultants Limited (J Hadley, Director) - Consulting	-	(2)
Auckland International Airport Ltd		
- Rescue fire training	(13)	(50)
- Purchase of fire appliance	(2)	-
- Director fees	(38)	-
Warbirds over Wanaka Community Trust (J Gilks, Trustee)		
- Event fee	13	-
Aviation Security Service (G Lilly, Director)		
- Airport security cards	(8)	(7)
- Rental, power recovery and parking revenue	239	194
Civil Aviation Of New Zealand (G Lilly, Director) - CAA Certification Audit Fees	(10)	(9)
ISPS Handa NZ Golf Open (N Thompson, Committee member) - Sponsorship	(10)	(10)
Go Rentals (Auckland) Ltd (G Lilly, Director) - Commercial parking revenue	101	79
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	(865)	(864)
Balances owed (to)/from at 30 June were:		
Owed to Aviation Security Services	(1)	(1)
Owed to Auckland International Airport Ltd	-	(10)
Owed from Aviation Security Services	8	3
Owed to BNZ	(31,167)	(23,039)

Other transactions involving related parties

1. QLDC's netball courts and six holes of the Frankton golf course are located on QAC land to the north west of the runway. Revenue from this arrangement amounted to $25,000 (2017: $25,000).
2. Queenstown Airport Corporation receives services from Auckland International Airport Ltd for which no consideration is paid.
3. The park and ride facility vested to QAC from QLDC during the year with vested asset revenue of $568k.

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	
	2018	2017	2018	2017
	$'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 $1,802,064 (2017: $1,369,716) for Council and $1,821,863 (2017: $1,881,886) for Group held on trust which are payable by the Council/Group respectively on completion of contractual obligations by third parties. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Council 2018 $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Cash and cash equivalents	10,028	6,326	11,925	7,241
Bank overdraft	-	-	-	-
	10,028	**6,326**	**11,925**	**7,241**

(b) Borrowings - facilities

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

	Council 2018 $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
Amount used	85,000	92,000	142,000	139,000
Amount unused	15,000	12,000	178,000	65,000
	100,000	**104,000**	**320,000**	**204,000**

28. Notes to the Statement of Cash Flows continued

	Council 2018 $'000	Council 2017 $'000	Group 2018 $'000	Group 2017 $'000
(c) Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities				
Surplus for the year	51,483	64,847	61,099	72,487
Add/(less) non-cash items:				
Depreciation and amortisation	25,148	22,393	33,142	29,715
Loss provision	2,200	(200)	2,200	(200)
Vested assets	(30,684)	(8,493)	(30,684)	(8,493)
(Gain)/loss on sale of property, plant & equipment	(1,159)	(1)	(93)	(8)
(Gain)/loss on revaluation of property, plant & equipment	-	-	135	-
(Gain)/loss on revaluation of forestry investment	-	-	(597)	(732)
(Gain)/loss on revaluation of investment property	(2,021)	(31,499)	(2,021)	(31,499)
(Gain)/loss on sale of investment property	(153)	-	(153)	-
(Gain)/loss on sale of development property	-	-	-	-
Net change in fair value of derivative financial instruments	642	(898)	614	(993)
(Gain)/loss on revaluation of shares	-	(4)	-	(4)
Reclassification of assets under construction	-	-	-	-
Other	-	-	(1,329)	294
	45,456	**46,145**	**62,313**	**60,567**
Movement in working capital:				
Trade and other receivables	(1,849)	(3,350)	(2,153)	(4,101)
Inventories	-	1	-	1
Current tax refundable/payable	-	1	2,180	1,003
Other current assets	(417)	26	(514)	(199)
Deferred tax asset/liability	-	-	(530)	(301)
Trade and other payables	4,453	(1,375)	2,078	825
Employee entitlements	185	69	353	474
Other financial liabilities	11,359	9	87	37
	13,731	**(4,619)**	**1,501**	**(2,261)**
Movement in items treated as investing activities	(2,437)	(1,014)	183	(3,122)
Net cash inflow from operating activities	**56,750**	**40,512**	**63,997**	**55,184**

29. Remuneration (Council Only)

During the year to 30 June 2018, 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 2018 $	Council 2017 $
Elected Representatives		
Council		
Jim Boult - Mayor	114,772	79,714
Vanessa van Uden - Mayor (until Oct 2016)	-	33,139
Callum McLeod - Deputy Mayor /Councillor Wanaka[1]	49,587	50,647
Lyal Cocks - Deputy Mayor/ Councillor Wanaka (until Oct 2016)	-	13,316
Tony Hill - Councillor Wakatipu/Committee Chair	38,375	26,547
John MacDonald - Councillor Wakatipu	32,941	22,879
Penny Clark - Councillor Wakatipu	32,941	22,879
Val Miller - Councillor Wakatipu	32,941	22,879
Ross McRobie - Councillor Wakatipu/Committee Chair [2]	42,815	28,767
Cath Gilmour - Councillor Wakatipu/Portfolio Leader (until Oct 2016)	-	11,889
Mel Gazzard - Councillor Wakatipu/Portfolio Leader (until Oct 2016)	-	18,449
Scott Stevens - Councillor Arrowtown/Committee Chair	38,375	36,059
Simon Stamers-Smith - Councillor Wakatipu (until Oct 2016)	-	9,511
Ella Lawton - Councillor Wanaka (resigned Apr 2017)	-	28,597
Craig Ferguson - Councillor Wakatipu	32,941	32,390
Alexa Forbes - Councillor Wakatipu/Committee Chair	38,375	36,059
Merv Aoake - Councillor Wakatipu (until Oct 16)	-	9,511
Wanaka Community Board		
Rachel Brown - Board Chair (until April 2018)/Member (from April 2018)	21,214	22,755
Bryan Lloyd - Board Member (until Oct 2016)	-	3,341
Mike O'Connor - Board Member (until Oct 2016)	-	3,341
Ross McRobie - Board Member (until Oct 2016)	-	3,341
Edward Taylor - Board Member	11,571	8,037
Quintin Smith - Board Chair (from April 2018)/Member (from Oct 2016)	31,045	8,037
Ruth Harrison - Board Member	11,571	8,037
Judith Battson - Board Member	7,495	-

[1] Remuneration includes $8,740 for attending District Plan hearings on behalf of QLDC.
[2] Remuneration includes $2,220 for attending an RMA resource consent hearing on behalf of QLDC.

Chief Executive

For the year ended 30 June 2018, 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 $326,214 (2017: $315,000).

Employee staffing levels and remuneration

The number of employees employed by Queenstown Lakes District Council at 30 June 2018 was 392 (30 June 2017: 336). The number of full-time employees and full time equivalents of all the other employees as at 30 June 2018 was 273 and 55 respectively (30 June 2017: 213 and 65).

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:

	2018	2017
< $60,000	221	198
$60,001 to $80,000	67	57
$80,001 to $100,000	42	45
$100,001 to $120,000	34	9
$120,001 to $140,000	10	13
> $140,000	18	14
Total number of employees	**392**	**336**

30. Severance Payments

For the year ended 30 June 2018 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.

2017	Pre-1990 Forest	Landfill	Total
Productive area (hectares)	296	n/a	296
Opening balance	-	-	-
NZUs purchased during the year	-	18,608	18,608
NZUs allocated/transferred internally during the year	-	20,282	20,282
NZUs transferred to Scope Resources Ltd during the year	-	(38,890)	(38,890)
NZUs on hand at balance date	**-**	**-**	**-**

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 $51.5m for the year. This is down from the $64.8m surplus recorded last year but up against a budget of $20.8m. The main reasons for the higher surplus against budget, which is not profit, are related to higher revenue ($35.8m) to budget and $2.7m of other net gains.

Both revenue and operating expenditure were above budget for the year ended 30 June 2018. Revenue was above estimate by 26.0% or $35.8m and expenditure was over by 6.7% or $7.8m. This reflects continued extremely high levels of activity across all activities.

The following major items contributed to this variance:

- Increased vested asset income of $19.9m 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.
- Increased development contributions of $9.5m which is related to the level of development activity within the district. This income can only be used to fund growth related capital expenditure.
- User charges for consents was $1.3m above budget for the year; rental income was also above budget by $1.3m and refuse user charges were also up by $0.54m. Most of this positive variance for user charges was offset by the negative variance of $2.9m as result of the the
- Other income was $3.4m above budget for the year. The main reason for the higher result pertains to increased income from infringement fees - particularly related to parking & freedom camping.
- Dividend income from QAC was $1.6m above budget for the year.

The surplus includes the following:

- $1.3m of gains relating to the disposal of Council owned property.
- $1.4m of net unrealised gains as a result of the revaluation of interest rate swaps and investment property as at 30 June 2018. This follows $32.4m of unrealised gains for these items in 2017.

Operating expenditure was $7.8m (6.7%) over budget for the year ended 30 June 2018. $2.1m 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 $4.5m 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 $4.4m 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 $2.9m above budget for the year, mainly as a result of emergency work including snow clearing required in winter 2017 as well as the costs associated with the QAC Park and Ride.
- Increased costs of $1.2m for handling larger than expected volumes of solid waste for the year.
- Depreciation and amortisation expense higher than budget by $0.8m.

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 $13.6m for the year ended 30 June 2018. This relates mostly to timing differences for the following large projects:
  - Arrowtown Community Sports Centre Fund
    (2017/18 budget of $0.95m versus actual spend of $0.1m - Project completion programmed for 2018/19);
  - Waste Water Treatment Screenings Facility (Wanaka)
    (2017/18 budget of $0.6m versus actual spend of $0.0m - Contract now agreed. Project completion programmed for 2018/19);
  - LED Street Light Replacements (Wanaka & Wakatipu)
    (2017/18 budget of $1.1m versus actual spend of $0.0m - Contract now agreed. Project completion programmed for 2018/19);
  - Bathhouse Playground Renewal
    (2017/18 budget of $0.7m versus actual spend of $0.2m - Project completion programmed for 2018/19).
- 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 $101.6m below forecast. Total debt as at 30 June 2018 is $85.5m compared to a forecast of $187.1m.

Statement of Changes in Equity

Accumulated differences between actual and budgeted net surpluses as described above for 2018, as well as the impact of prior investment property revaluations and reduced borrowings, has resulted in an equity variance of $111.2m above forecast.

Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows, particularly cash flows from investing and financing activities. Cash payments for the purchase of property, plant and equipment (i.e. capital expenditure) were $15.3 million below estimate and a prepayment was received for the Wanaka Airport lease this year. Consequently, net borrowings were around $36.9 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 2018 and 2017.

(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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Financial assets				
Cash and cash equivalents (AC)	10,028	6,326	11,925	7,241
Trade and other receivables (AC)	15,179	13,330	18,923	15,813
Other financial assets (AC)	9,972	10,740	9,972	10,740
Other financial assets (FVTSD)	-	-	-	263
Other financial assets (AFS)	1,248	1,408	1,248	1,408
Financial liabilities				
Trade and other payables (AC)	27,071	22,618	30,371	27,306
Borrowings (AC)	85,466	92,689	142,466	139,689
Other financial liabilities (FVTSD)	2,202	1,560	2,338	1,560

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			
		2018		2017		2018		2017	
		$'000		$'000		$'000		$'000	
		+50 bps		+50 bps		+50 bps		+50 bps	
	Note	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial Liabilities									
Borrowings	(i)	(100)	(100)	(100)	(100)	(273)	(273)	(223)	(223)
		(100)	**(100)**	**(100)**	**(100)**	**(273)**	**(273)**	**(223)**	**(223)**

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 (2017: $20,000,000).
QAC has floating rate debt with a principal amount totalling $34,500,000 (2017: $24,500,000).

(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	
	2018	2017
	$'000	$'000
Council		
Financial assets and other credit exposures	36,427	31,804
Group		
Financial assets and other credit exposures	42,068	35,465

(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 observable:

- 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).

	Total	Level 1	Level 2	Level 3
2018	**$'000**	**$'000**	**$'000**	**$'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
Financial liabilities				
Derivatives	2,338	-	2,338	-

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

33. Financial Instruments continued

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

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**

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

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**

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

ANNUAL REPORT DISCLOSURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

WHAT IS THE PURPOSE OF THIS STATEMENT?

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

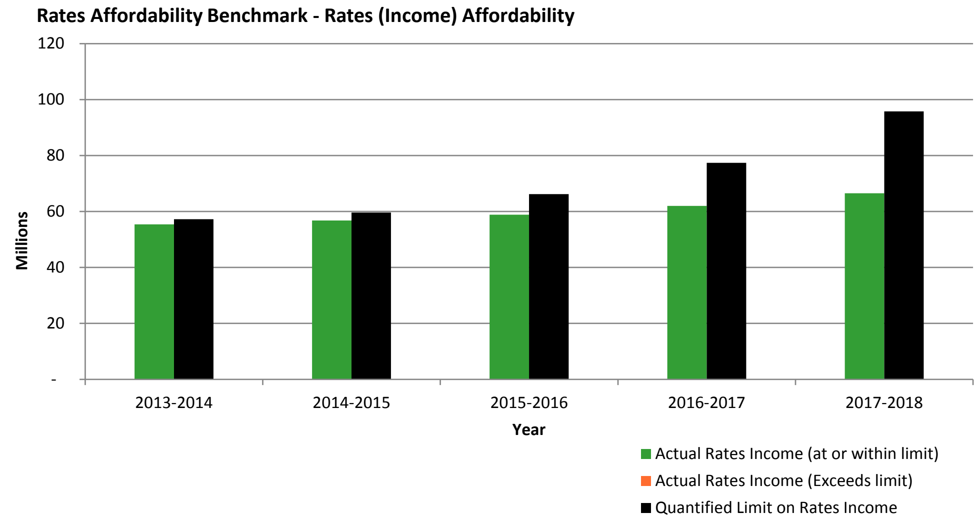
The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

RATES AFFORDABILITY BENCHMARK

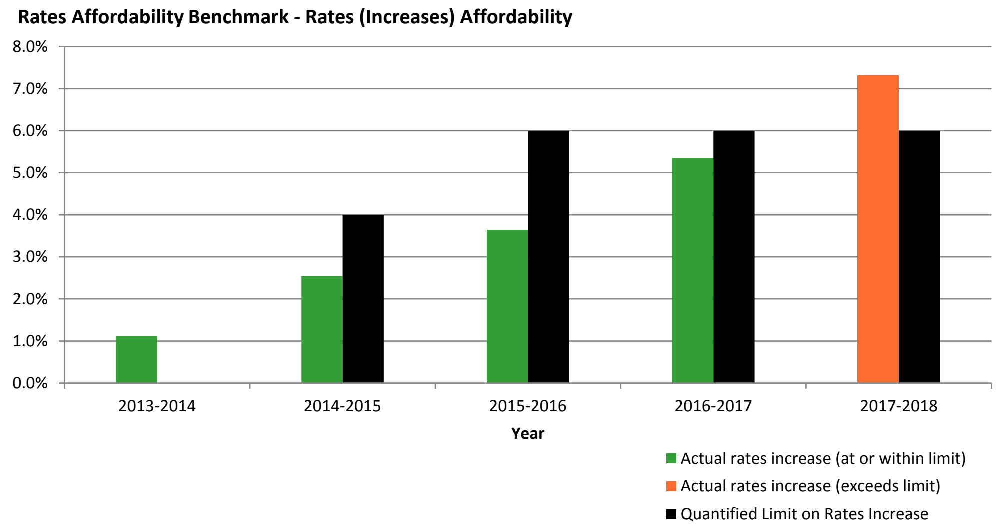
The council meets the rates affordability benchmark if—

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

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



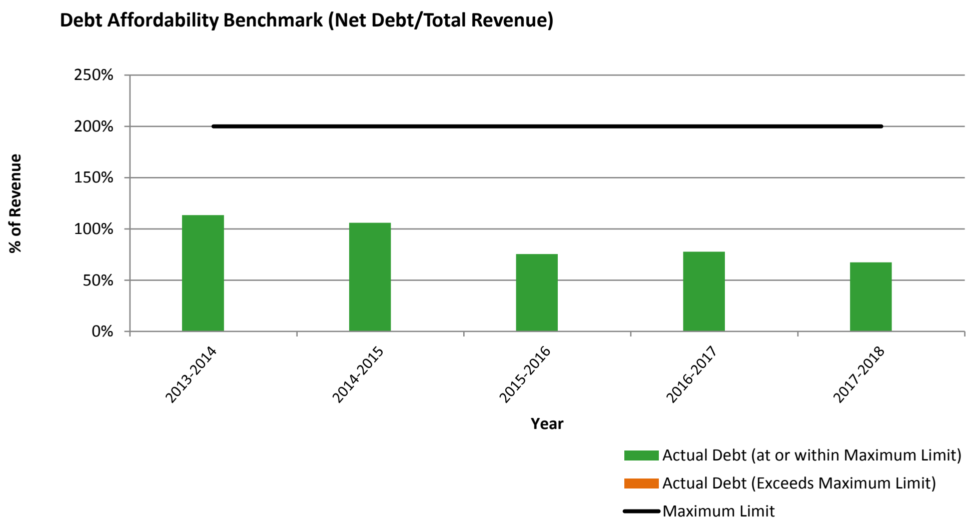
Rates (increases) affordability - The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's long-term plan. The quantified limit is that rates increases set at a maximum of 6% per annum (subject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



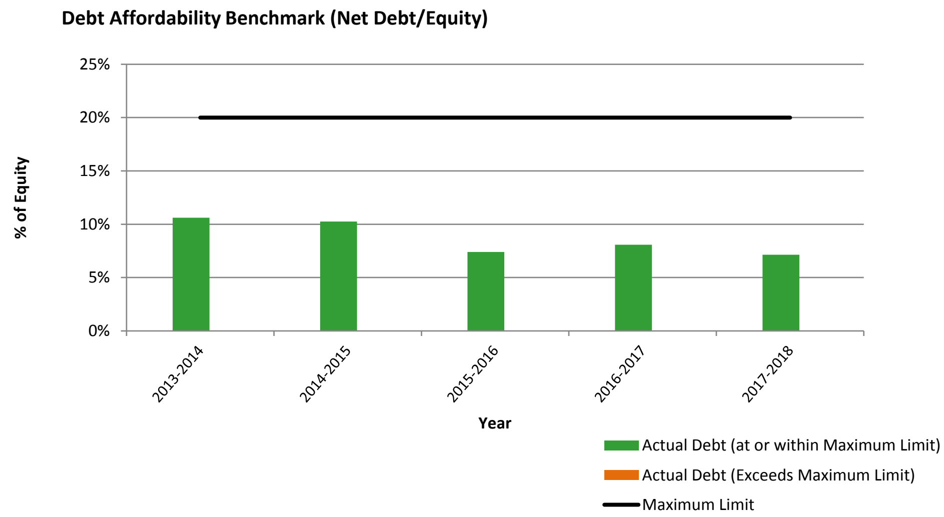
DEBT AFFORDABILITY BENCHMARKS

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

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



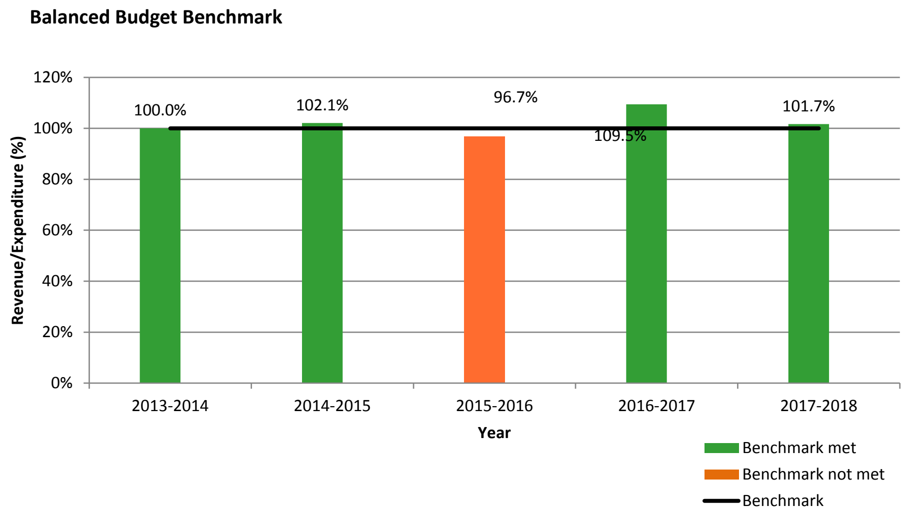
The quantified limit is that the debt to equity ratio will be under 20%.



BALANCED BUDGET BENCHMARK

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

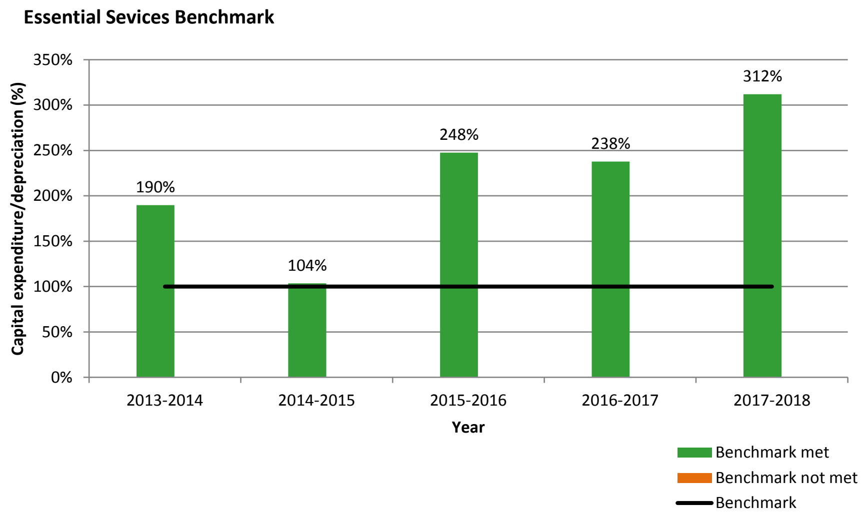
The council meets this benchmark if its revenue equals or is greater than its operating expenses.



ESSENTIAL SERVICES BENCHMARK

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

The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

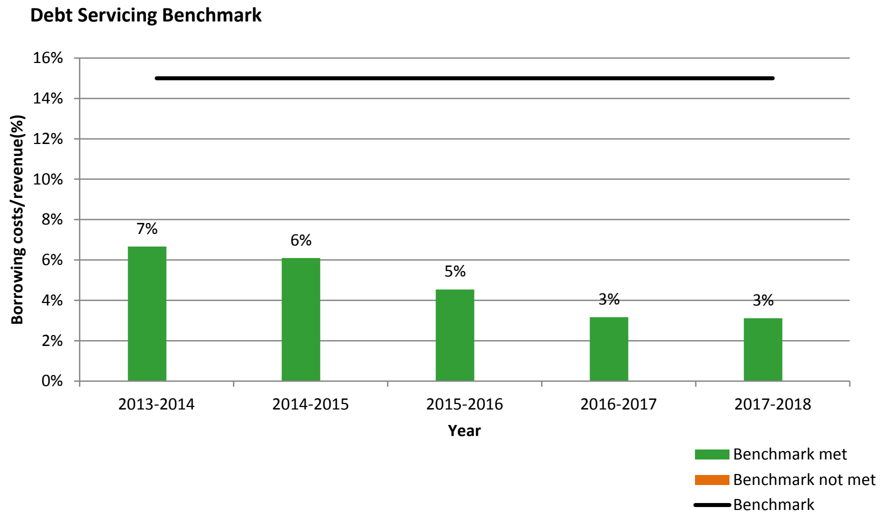


DEBT SERVICING BENCHMARK

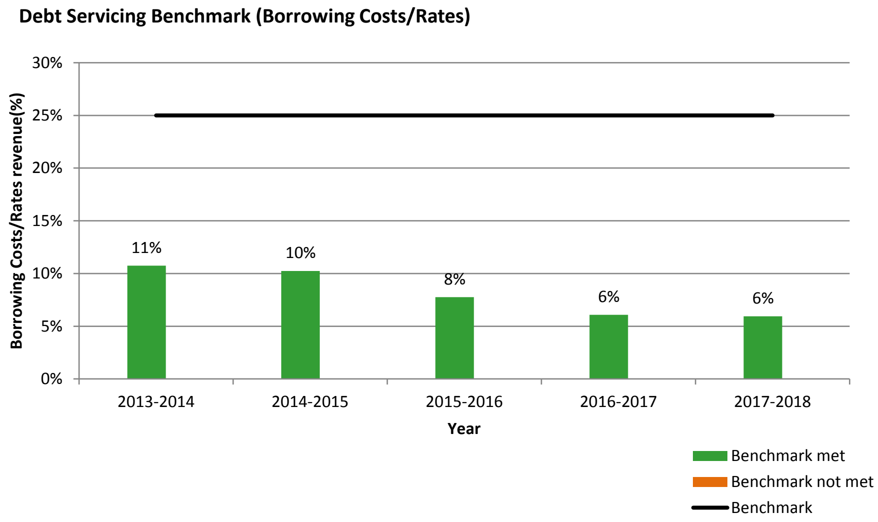
The following graphs compares the council's actual debt servicing with the quantified limits on borrowing stated in the financial strategy included in the council's long-term plan.

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

Because Statistics New Zealand projects the council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



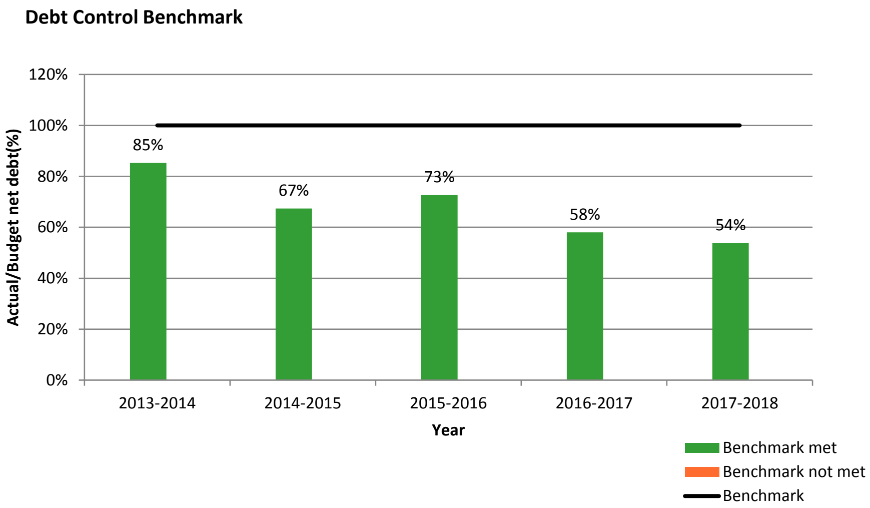
The following graph displays the council's borrowing costs as a proportion of rates revenue. The quantified limit is that its debt servicing costs equal or are less than 25% of its rates revenue.



DEBT CONTROL BENCHMARK

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

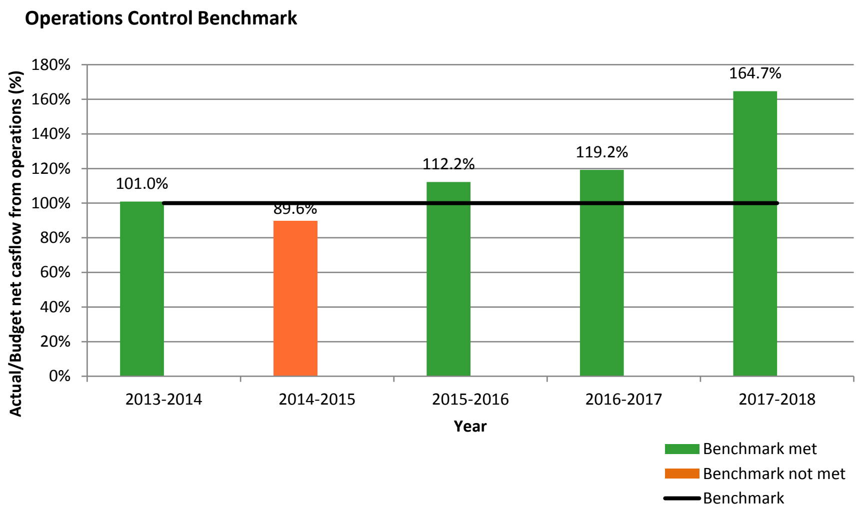
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



OPERATIONS CONTROL BENCHMARK

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



ADDITIONAL INFORMATION OR COMMENT

Council has met all but three of the benchmarks for the past four years. The reason for the breach in the “Operations control benchmark” in 2014/15 related to the delay in the construction and funding of the Eastern Arterial Road (Frankton Flats); forecast capital roading subsidy and capital contributions were not received within the period. In 2015/16 Council failed to meet the “Balanced budget benchmark”, this relates to unbudgeted expenditure for the year in relation to the defence and resolution of legal claims. 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-18 $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	29,778	1,199	1441	31,930
Water Supply	Other assets (such as reticulation systems)	121,763	7,450	4,036	125,554
Sewerage	Treatment plants and facilities	49,528	1,308	1,373	53,704
Sewerage	Other assets (such as reticulation systems)	144,783	8,073	3,624	149,271
Stormwater Drainage		130,299	7,214	6,063	134,121
Roads & Footpaths		511,456	26,282	8,073	527,322

Note: There are no flood protection or control works.

** excluding assets under construction*

RATING BASE INFORMATION

Rating units within the district or region of the local authority at the end of the preceding financial year:

	30 June 2017
The number of rating units	24,253
The total land value of rating units	10,333,276,550
The total capital value of rating units	20,052,318,550

INSURANCE ON ASSETS

Buildings, plant and equipment

The Council has a total asset value for insurance purposes of $296,770,155, excluding 3 Waters below. The insurance is based on full replacement value. There are two insurance policies in place: one for a fire (replacement) loss limit of $45,000,000 and the other a material damage (excluding fire) policy. The Council carries the first $10,000 of any loss for fire and perils and up to $250,000 for flood damage. The natural disaster excess is 2.5% of the material damage sum insured (minimum $2,500) and/or pre-1935 risks 10% of the material damage sum insured (minimum $10,000 for natural disaster losses). This applies to the combined material damage and business interruption loss.

3 Waters - buildings/plant and equipment

The Council has a total asset value for insurance purposes of $81,053,355. These assets are split into Sewer total sum insured of $46,371,886 and Water total sum insured of $34,681,469. There is cover for plant and equipment anywhere in New Zealand limited to $200,000 in any situation. The Council carries the first $10,000 of any loss for fire and perils and 2.5% of the material damage sum insured (minimum $2,500) and/or pre-1935 risks 10% of the material damage sum insured (minimum $10,000 for natural disaster losses). This applies to the combined material damage and business interruption loss.

Forestry

The Coronet Forest is insured for fire to the value of $1,896,639 with an aggregate limit of liability of $2,455,015. The Council carries an excess that is a percentage of the sum of the block declared value.

Vehicles

The Council has a total asset value for insurance purposes of $1,748,593. All vehicles are insured for market value with replacement value for vehicles which are less than 12 months old. The cover includes all glass claims. The Council carries an excess of 1% of the vehicle value (minimum $1,000 for own vehicles and nil excess for third party damage). The limit for third party damage is $20,000,000. Nil excess applies to windscreen and window glass.

Natural catastrophe for infrastructure - shared services

The Council has physical loss and business interruption cover for their infrastructure caused by a natural catastrophe event including earthquake, natural landslip, flood, tsunami, tornado, windstorm, volcanic eruption, hydrothermal & geothermal activity and subterranean fire.

The limit of liability is $125,000,000 which is a combined limit for an event involving more than one Council in New Zealand for any one loss or series of losses arising out of any one event. The limit of liability for Queenstown Lakes District Council is $100,000,000 for each and every loss. The deductible amount is $1,000,000 for each and every loss.

AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEENSTOWN LAKES DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Queenstown Lakes District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 25 October 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 127 to 175:
    - present fairly, in all material respects:
        - the District Council and Group's financial position as at 30 June 2018;
        - the results of the operations and cash flows for the year ended on that date; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity (PBE) Standards;
- the funding impact statement on page 124, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the Statement of Service Performance on pages 24 to 122:
    - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:

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- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and

- complies with generally accepted accounting practice in New Zealand; and

- the statement about capital expenditure for each group of activities on pages 40 to 111, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan; and

- the funding impact statement for each group of activities on pages 40 to 111, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and

- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 176 to 183, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "*Responsibilities of the auditor for the audited information*" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

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The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

- We determine the appropriateness of the reported intended levels of service in the Statement of Service Performnace, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 22 and 191 to 205, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the District Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of assurance services relating to reporting under trust deed, a registry audit, and a regulatory disclosure audit. Other than these engagements we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.

B E Tomkins
Partner
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

SECTION 4

APPENDIX

Introduction

In 2015 the district Councils in Otago agreed to benchmark their performance annually against a set of seven Key Performance Indicators (KPIs). The purpose of this benchmarking is to provide communities with a better basis for comparison, as well as enable Councils to work together to identify best practice and efficiencies. The Otago Performance Improvement Framework (OPIF) was developed to cover five key areas of interest; Infrastructure Asset Management, Resident and Ratepayer satisfaction, Planning services, Affordability and Corporate Services. For the benefit of this report, the following abbreviations will be used:

CDC: Clutha District Council
CODC: Central Otago District Council
DCC: Dunedin City Council
QLDC: Queenstown Lakes District Council
WDC: Waitaki District Council

Some measures provide opportunity for Council commentary throughout the document. It should be noted that not all Council's chose to provide commentary.

Individual Council Commentary

The OPIF Report and the associated Otago Region satisfaction survey have afforded QLDC the opportunity to understand its performance across a range of measures. Key points to note include:

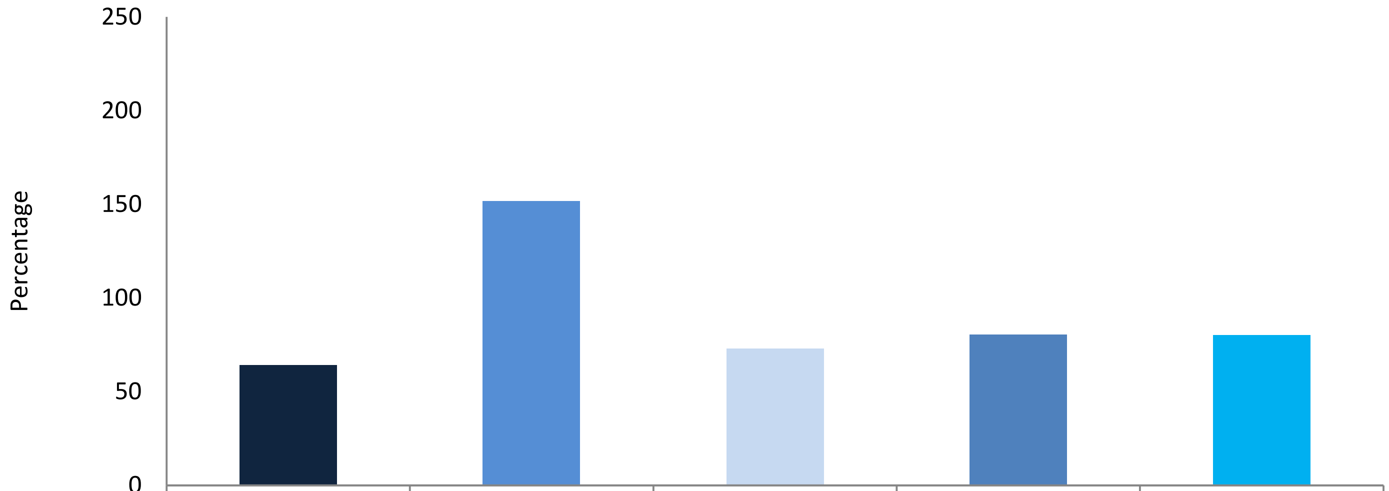
- Overall satisfaction with QLDC is 2% above the regional average of 87%. This is an increase of 4%, with 85% result achieved in the previous year. QLDC also had the lowest score of all councils for dissatisfaction in this area.
- Overall satisfaction with community facilities is 4% below the regional average of 73%, with 69% of residents satisfied or moderately satisfied with the facilities QLDC offers.
- Overall satisfaction with the information residents receive is 3% below the regional average of 92%. This is still high and indicates that more than three quarters of residents are satisfied with the information they receive from QLDC.
- Usage of parks in the Queenstown Lakes District was high at 82%, and above the regional average. Libraries, swimming pools and community halls were identified by residents as needing attention.
- Variance to capital works programmes (including renewals) is due to various projects being deferred to 2018/19 and budgets subsequently carried forward.
- Growth in the district has had a significant impact on QLDC's ability to deliver resource and building consents on time. This is a continued focus area for QLDC.

Infrastructure Asset Management

KPI: Percentage of the Council's budgeted capital works programme, including renewals, completed annually

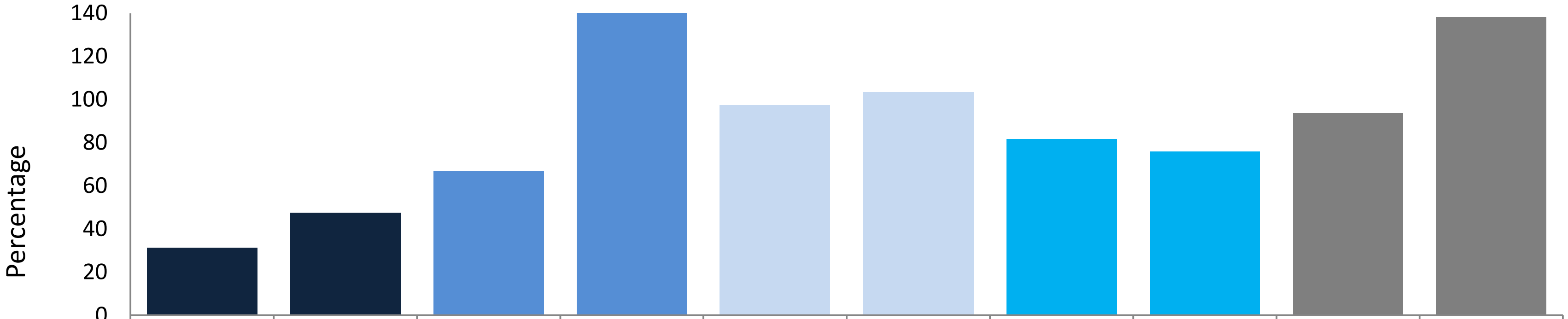
Data source:
Audited financials 2017/18. Calculation – total actual/total budgeted x 100.
Noting that 100% represents full budget expenditure

Total capital works programme



	CDC	CODC	DCC	QLDC	WDC
Percentage complete	52	152	73	80	80

Water Supply



	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	31	48	67	140	97	103	82	76	94	138

Explanation of variances against the budgeted capital works programme

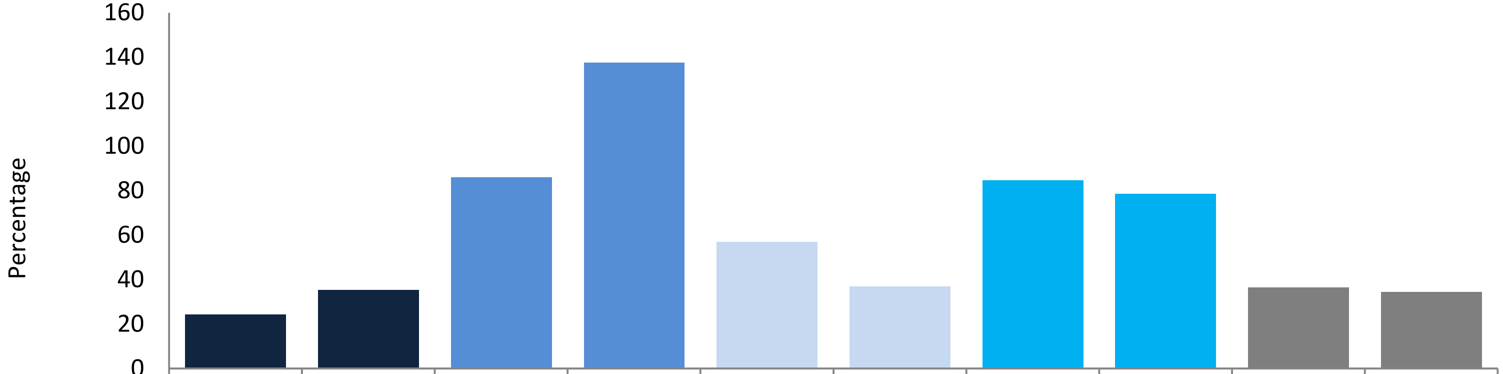
CDC – The total variance relates to the following projects: $500k due to the lack of tenders for the Milton upgrade, $800k due to Old Lake Road construction moved into 2019, $1m due to pipeline work not undertaken in winter, $1m due to treatment plants requiring more time for construction and design and $800k due to switchboard tenders done late. The renewals variance is mainly due to moving projects into 2019 and beyond.

DCC – The renewals variance is due to the Ross Creek Reservoir reinforcement works which was scheduled to occur in 2016/17. The project continued into 2017/18 and will be completed in 2018/19.

QLDC – The total variance of $2m arises from the Shotover Country to Glenda Drive rising main being deferred to 2018/19. The renewals variance of $0.4m is through the carry forward process for committed works and deferred to 2018/19.

WDC - Focus shifted to renewal activities with some Drinking Water Standard upgrades deferred.

Wastewater



	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	24	35	86	137	57	37	84	79	36	35

Explanation of variances against the budgeted capital works programme

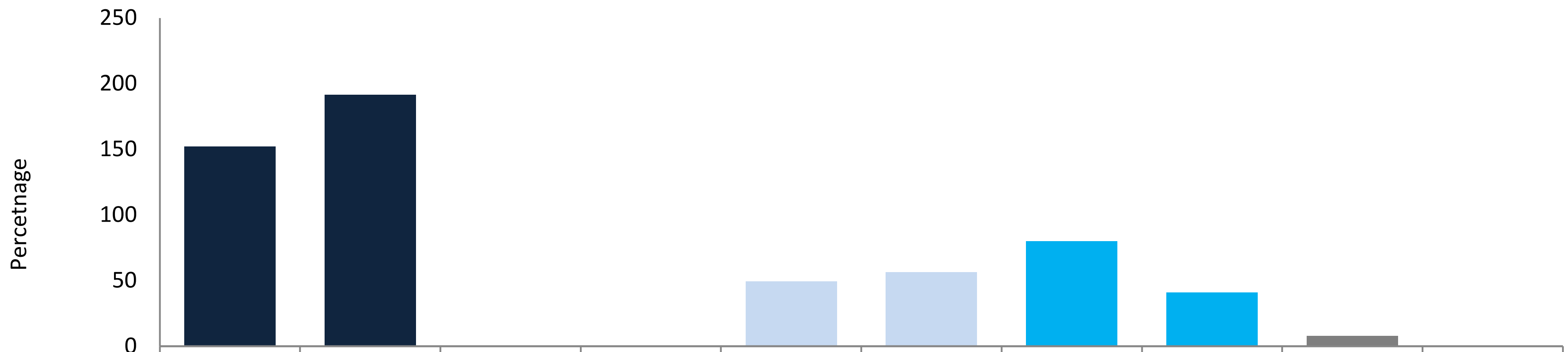
CDC – The total variance of $2.5m can be attributed to delays in Milton and Waihola due to consenting and design requirements. The renewals of $1m is due to the desludging being moved into 2019 because of contractor capacity constraints.

DCC – The total variance arises from the Kaikorai Valley stage three project delayed in the 2016/17 year. Project re-scoping and a procurement plan have been completed in the 2017/18 year, and work will continue on this project in the 2018/19 year.

QLDC – This result is comprised of $1.2m from the Project Shotover disposal field being deferred to 2018/19 and $0.6m from the Wastewater Treatment Screenings Facility, as the contract was awarded but delivery deferred to 2018/19. The renewals variance of $0.4m is a result of the carry forward process for committed works deferred to 2018/19.

WDC – This result is due to several projects being deferred.

Stormwater



	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	152	192	0	0	49	56	80	41	8	0

Explanation of variances against the budgeted capital works programme

CDC – The total variance result is due to projects costing more than the tendered amount.

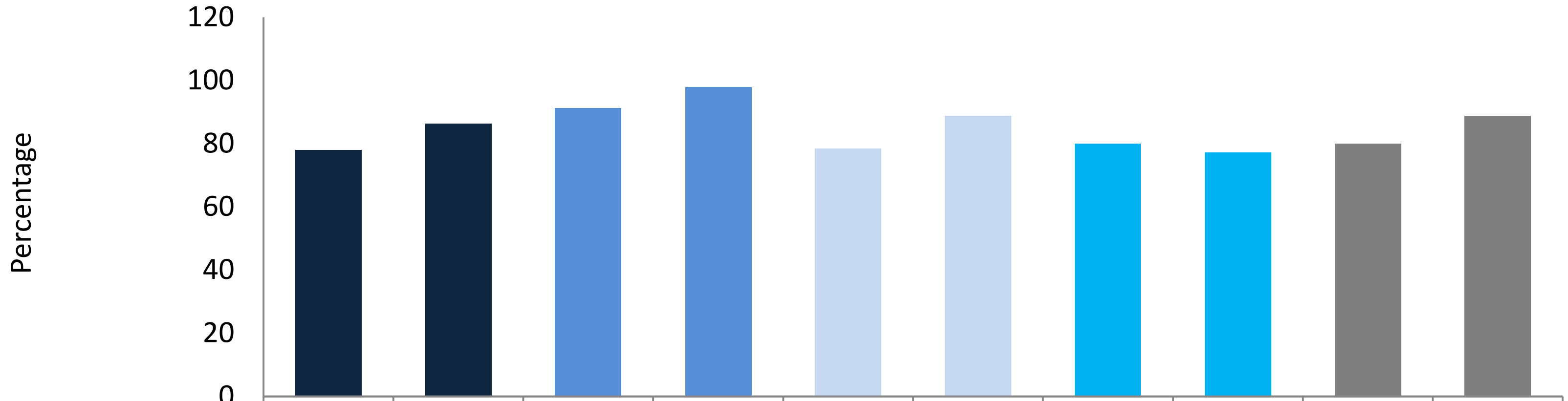
DCC - Planned projects were deferred as higher priority works were identified. In regards to renewals, the focus for the year has been planning for the delivery of projects scheduled in the 2018/19 year.

QLDC – The total variance result relates to the Threepwood upgrades of $0.27m deferred to 2018/19 due to the timing of completion. The Wanaka renewals of $77k have been deferred to 2018/19 and the Lakeview Development is $78k favourable due to the timing of design works.

WDC - The only significant project that involved new works has been deferred. No renewal works were planned in 2017/18.

Roading

Percentage of Council's budgeted capital works programme, including renewals, completed annually (**roading**)



	CDC total	CDC renewals	CODC total	CODC renewals	DCC total	DCC renewals	QLDC total	QLDC renewals	WDC total	WDC renewals
Percentage complete	78	86	91	98	78	89	80	77	80	89

Explanation of variances against the budgeted capital works programme

CDC – Hina Hina and Katea bridge upgrades have been re-scoped due to the high tender prices received. The renewals result of $800k is due to the supplier stock levels causing delay in the supply of street lighting.

DCC - Various projects were delayed or re-scheduled in the 2018-2028 Ten Year Plan. This was offset by some unbudgeted work relating to 2015 and 2017 flood events. The renewals result is in regards to limited sites in the annual programme meeting NZTA criteria for pavement rehabilitation. However, this underspend was offset by overspends in other areas.

QLDC – The total $4.8m budget was deferred to 2018/19 through the carry-forward process. This includes LED street light replacements ($2.1m), Town Centre Masterplan implementation ($0.5m), and unsubsidised minor improvements ($0.3m). The renewals variance is due to a $0.8m favourable result from sealed road resurfacing in the Wakatipu/Wanaka areas.

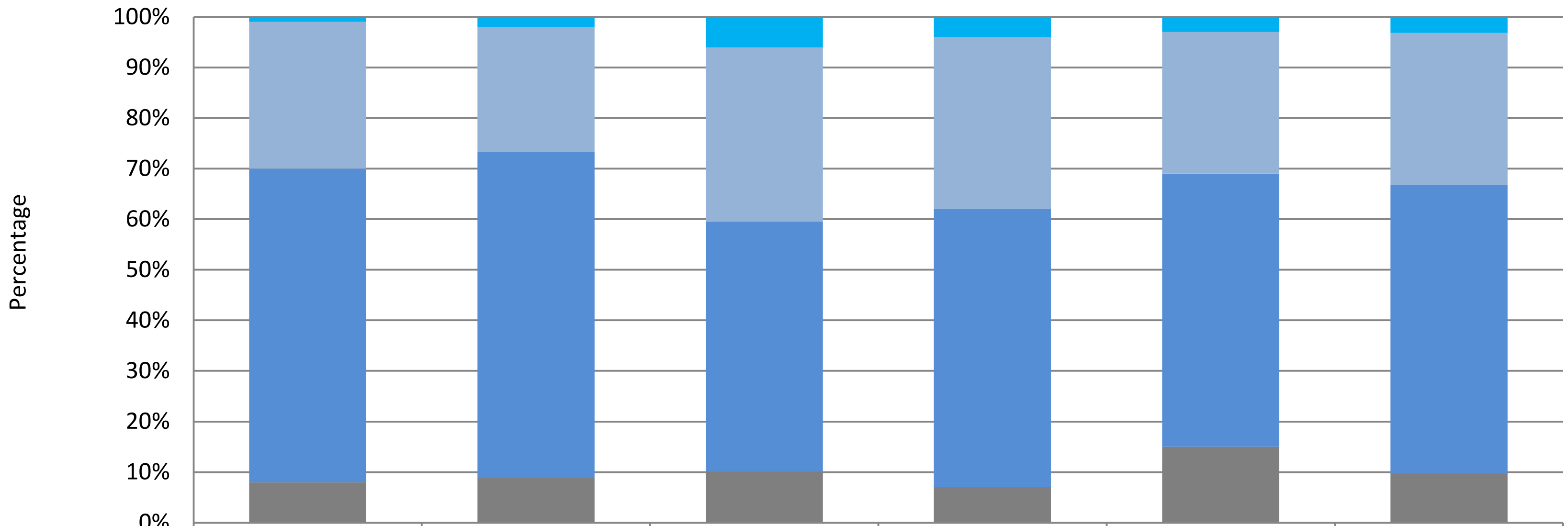
WDC – The total variance is due to various works deferred while dealing with the repairs needed following a weather event in July 2017.

Otago Region Residents' Satisfaction Survey

Survey conducted in June 2018. The full satisfaction report can be found here: www.qldc.govt.nz

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

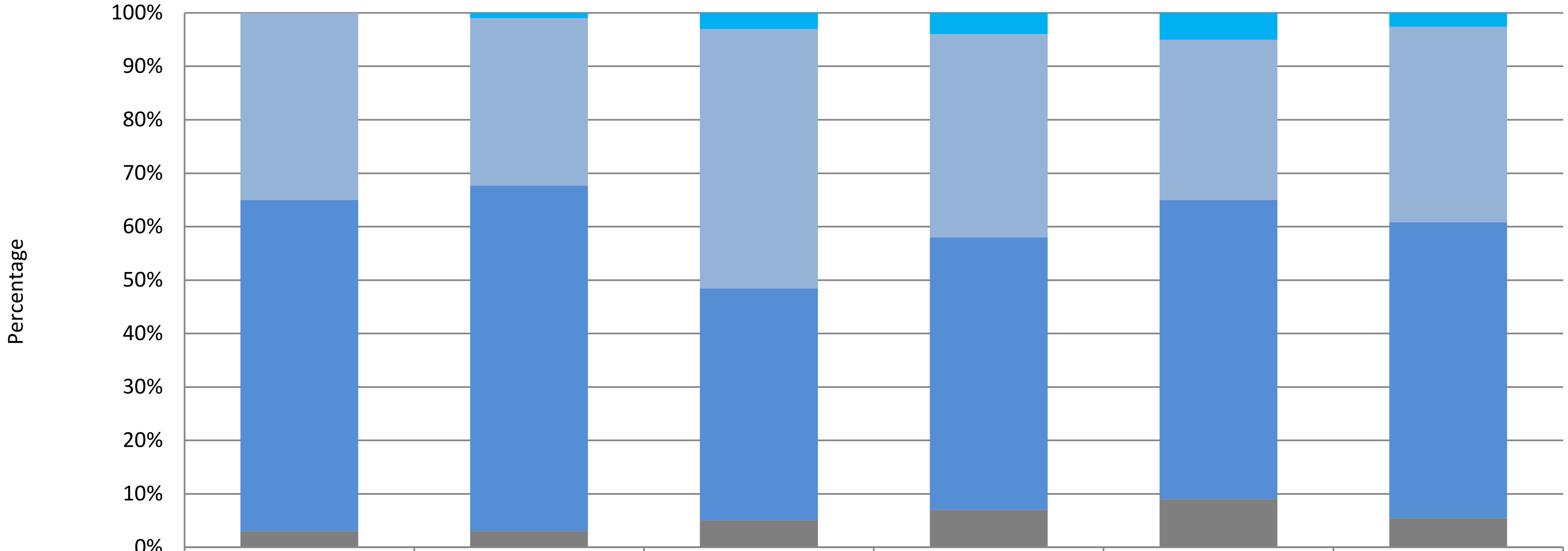
How satisfied are you with your Council overall?



	CDC	CODC	DCC	QLDC	WDC	Average
Unsure/Don't know	1%	2%	6%	4%	3%	3%
Satisfied	29%	25%	34%	34%	28%	30%
Moderately satisfied	62%	65%	49%	55%	54%	57%
Dissatisfied	8%	9%	10%	7%	15%	10%

KPI: Percentage of ratepayers who are satisfied with Council communications

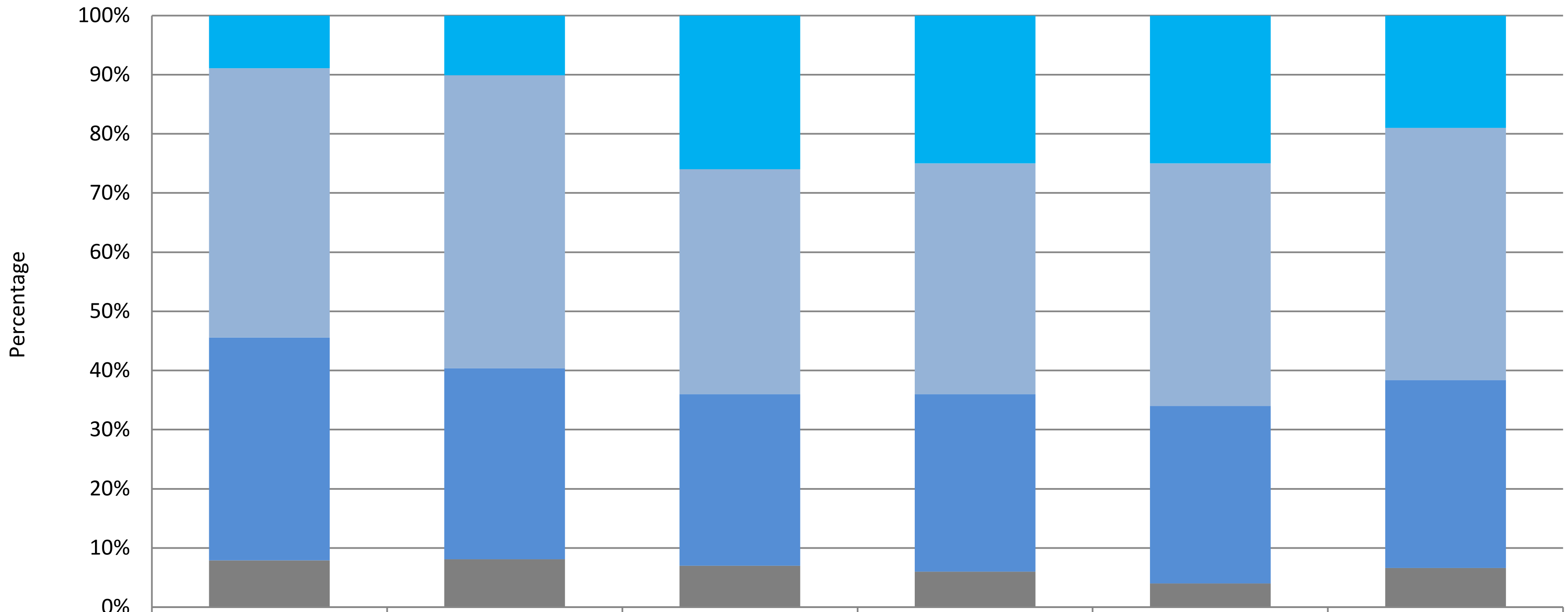
How satisfied or dissatisfied are you with the information you have received from Council overall?



	CDC	CODC	DCC	QLDC	WDC	Average
Unsure/Don't know	0%	1%	3%	4%	5%	3%
Satisfied	35%	31%	48%	38%	30%	36%
Moderately satisfied	62%	64%	43%	51%	56%	55%
Dissatisfied	3%	3%	5%	7%	9%	5%

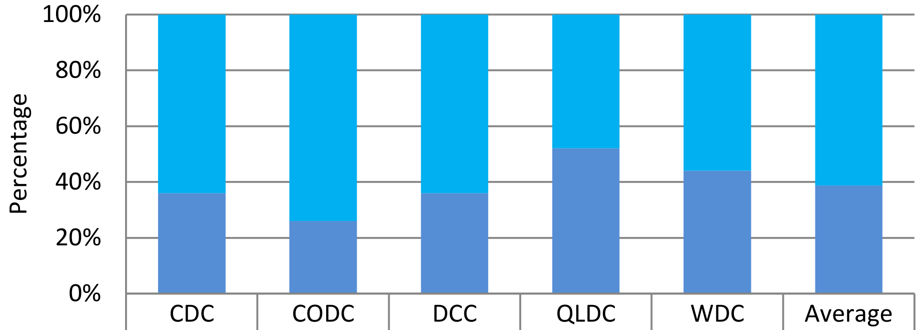
KPI: Percentage of ratepayers who are satisfied with the quantity and quality of community facilities, and the percentage who have used a community facility in the last 12 months

Net satisfaction with community facilities



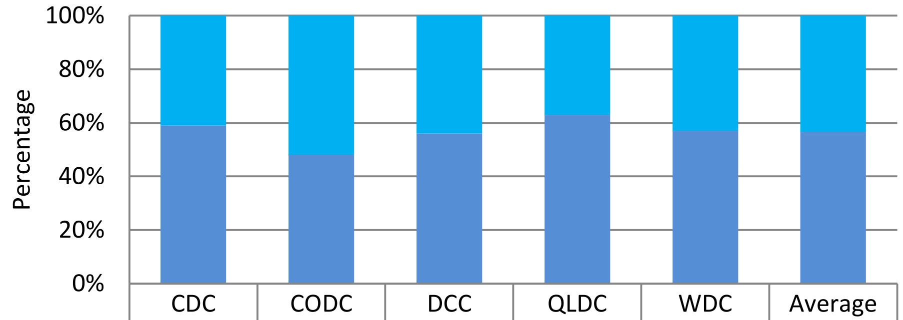
	CDC	CODC	DCC	QLDC	WDC	Average
Unsure/Don't know	9%	10%	26%	25%	25%	19%
Satisfied	46%	49%	38%	39%	41%	43%
Moderately satisfied	38%	32%	29%	30%	30%	32%
Dissatisfied	8%	8%	7%	6%	4%	7%

In the last 12 months, have you visited a public library in your district?



	CDC	CODC	DCC	QLDC	WDC	Average
Yes	64%	74%	64%	48%	56%	61%
No	36%	26%	36%	52%	44%	39%

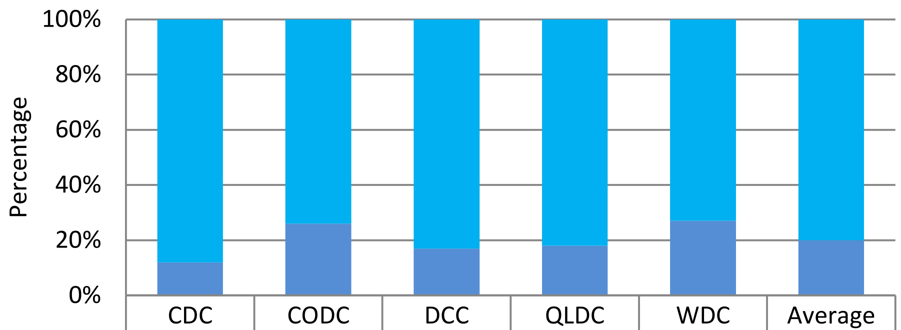
In the last 12 months, have you used a public swimming pool in your district?



	CDC	CODC	DCC	QLDC	WDC	Average
Yes	41%	52%	44%	37%	43%	43%
No	59%	48%	56%	63%	57%	57%

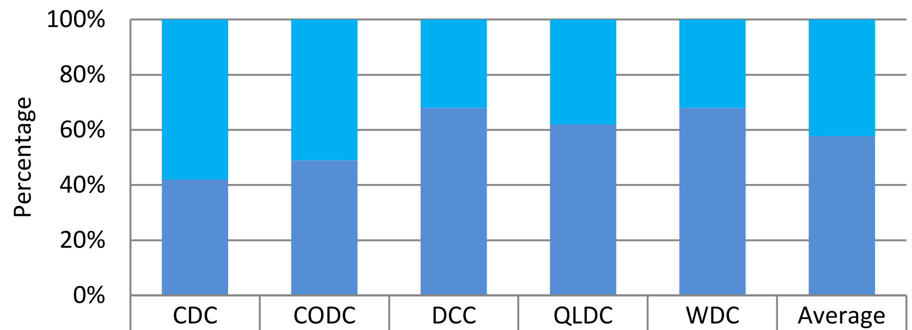
Note: CODC and QLDC maintain a shared library network.

In the past 12 months, have you been to a park in your district?



	CDC	CODC	DCC	QLDC	WDC	Average
Yes	88%	74%	83%	82%	73%	80%
No	12%	26%	17%	18%	27%	20%

In the past 12 months, have you been to a community hall in your district?

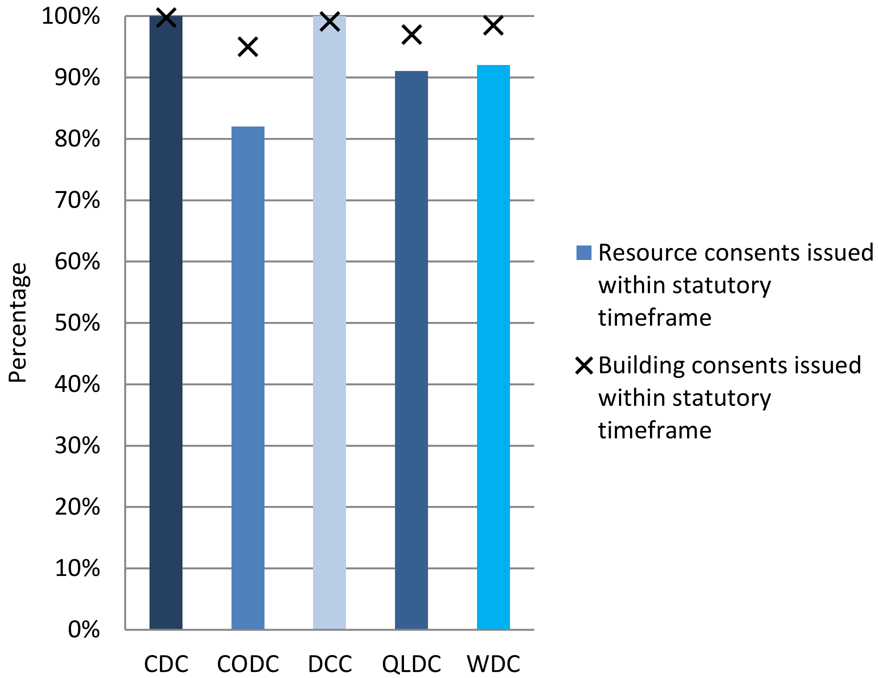


	CDC	CODC	DCC	QLDC	WDC	Average
Yes	58%	51%	32%	38%	32%	42%
No	42%	49%	68%	62%	68%	58%

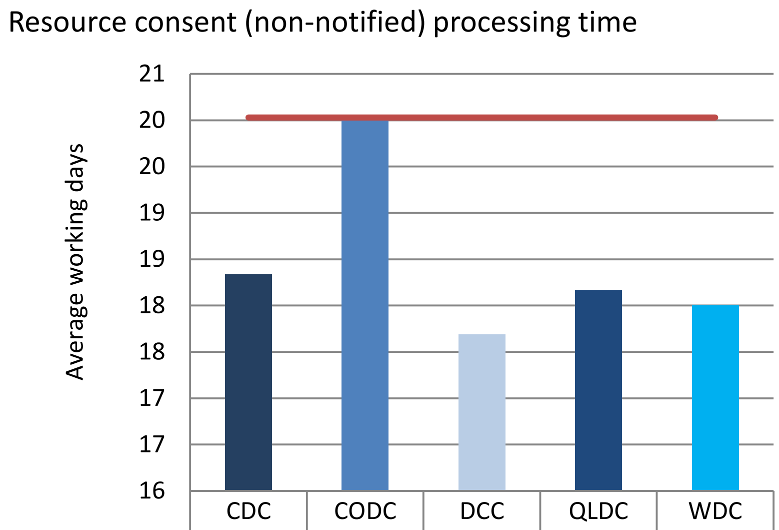
Regulatory (Planning Services)

KPI: Percentage of building and resource consents issued within statutory timeframes, and average building and resource consent processing days

a. Consent processing time

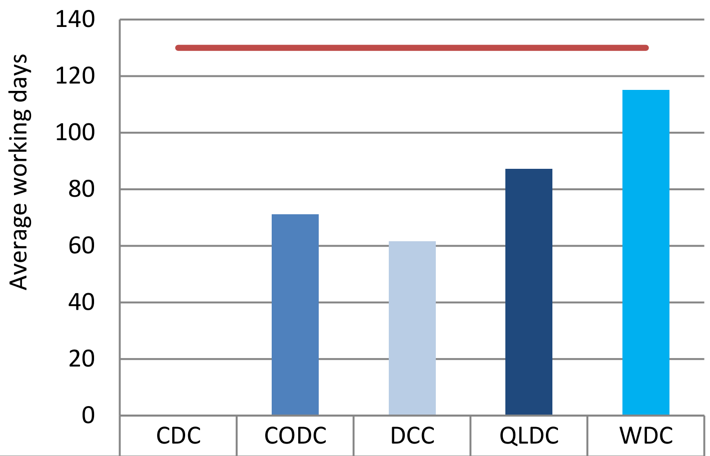


b. Resource Consent processing days



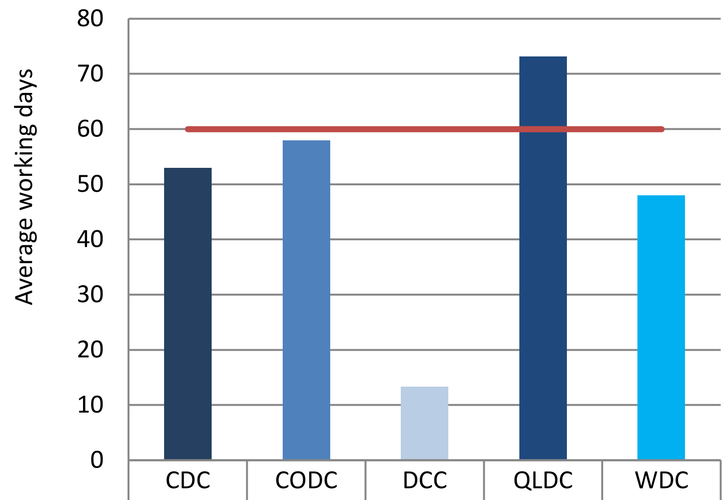
	CDC	CODC	DCC	QLDC	WDC
Non-notified average processing time (within 20 working days)	18	20	18	18	18
Statutory timeframe	20	20	20	20	20

Resource consent (notified - hearing held) processing time



	CDC	CODC	DCC	QLDC	WDC
Notified hearing held average processing (within 130 working days)	0	71	62	87	115
Statutory timeframe	130	130	130	130	130

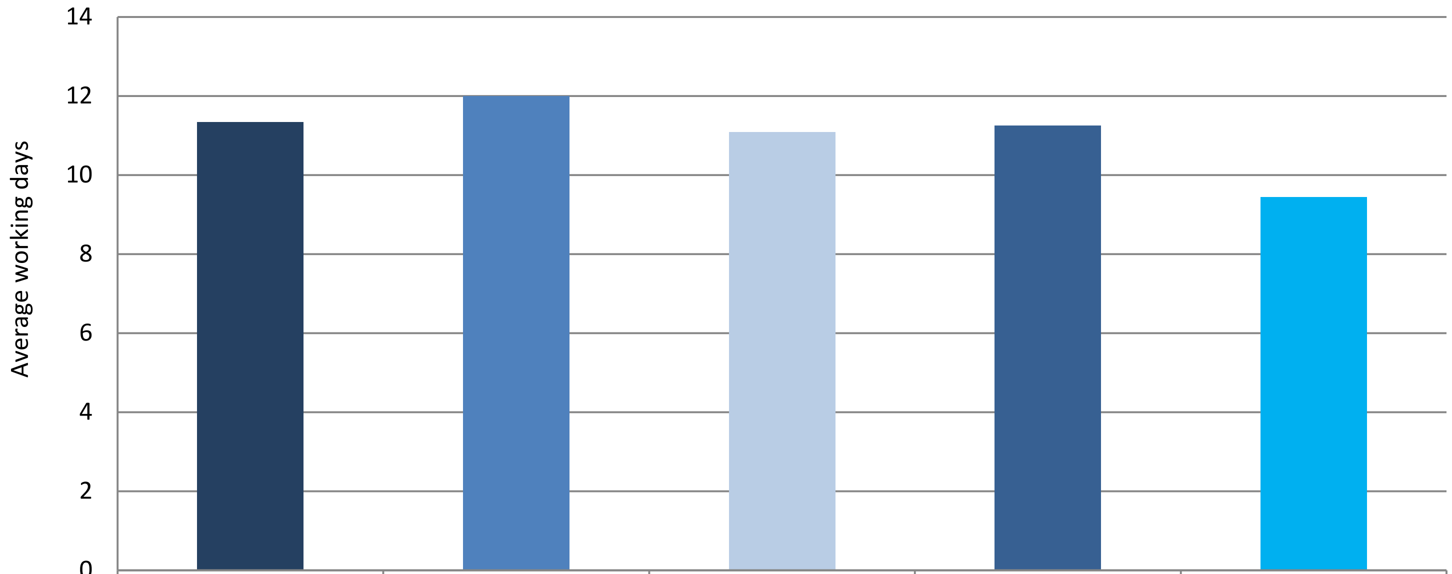
Resource consent (notified - no hearing) processing time



	CDC	CODC	DCC	QLDC	WDC
Notified no hearing average processing (within 60 working days)	53	58	13	73	48
Statutory timeframe	60	60	60	60	60

b. Building consent processing days

Building consent processing time



	CDC	CODC	DCC	QLDC	WDC
Average processing time	11	12	11	11	9

Affordability

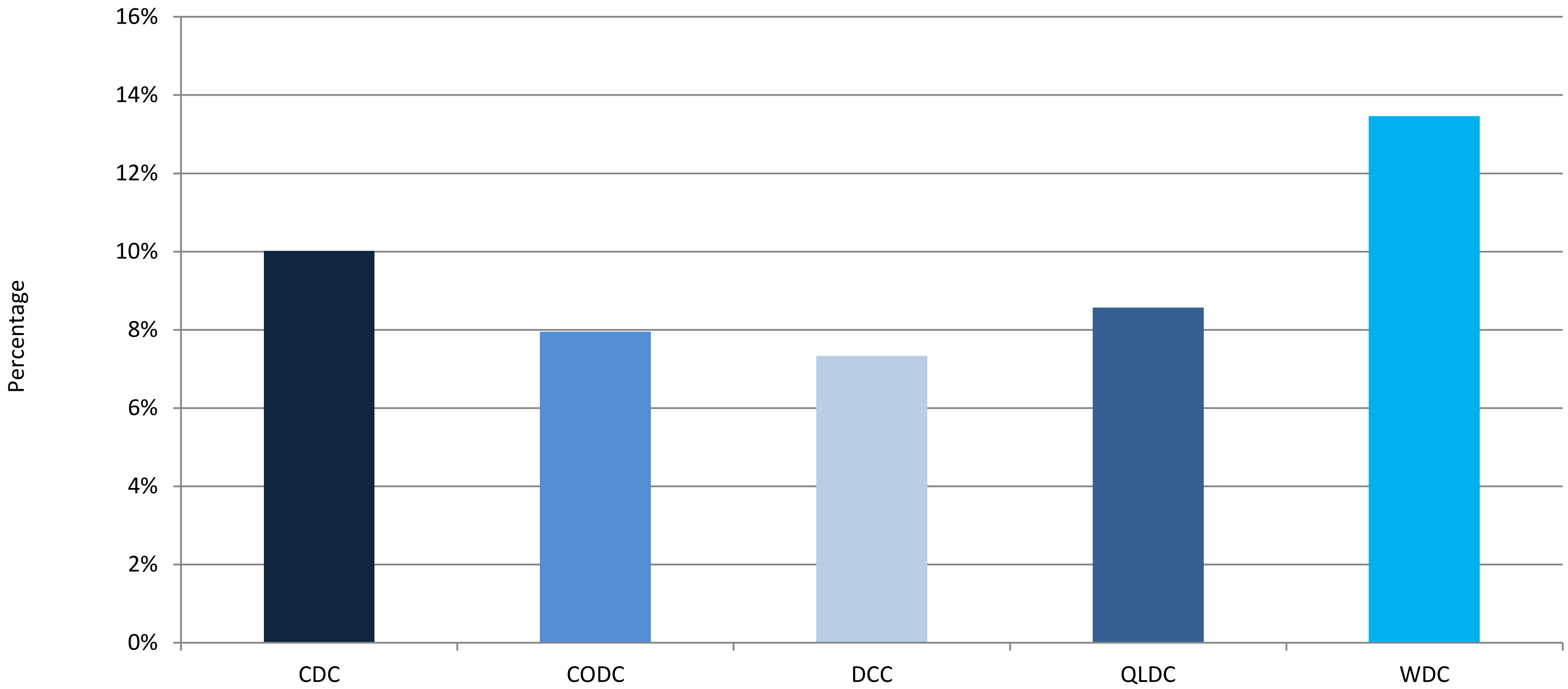
KPI: Rates per ratepayer as a percentage of household income

Territorial Authority	Rates per ratepayer as a percentage of median household income	Rates as a percentage of NZ Superannuation *(based on NZ Superannuation for a married couple)*	Percentage of households that receive NZ Superannuation
Clutha District	4.1%	7.6%	24%
Central Otago District	3.8%	6.8%	31%
Dunedin City	4.6%	8.3%	24%
Queenstown Lakes District	3.8%	9.2%	15%
Waitaki District	4.5%	7.3%	31%

Data sources:
Median household income, Number of households that receive NZ superannuation - Stats NZ, Census 2013
Rates revenue as reported in the financial statement 2016/17

Corporate Services

KPI: Cost of administrative and support services as a percentage of organisational running cost



Notes:

Administrative and support services include HR, Finance, ICT, Procurement, Corporate and Executive services (governance, legal, communications, strategy, risk and performance management)

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