

Finance Management Report

For the Period Ended 31 March 2019

Operating Expenditure and Revenue

Description	QTR 3		Variance to Budget	% of Year Completed			YTD Actuals to Full Year Budget
	Actual	Adjusted Budget		Year to date Actual	Year to date Adjusted Budget	Year to date Variance	
REVENUE							
Operating Revenue							
Income - Rates	18,664,309	18,759,215	(94,907)	56,367,479	56,157,646	209,833	74,796,862 75%
Income - Grants & Subsidies	1,483,495	1,163,608	319,887	4,421,555	3,916,987	504,569	5,372,665 82% 1*
Income - NZTA External Cost Recoveries	1,005,270	559,571	445,699	2,306,039	1,678,713	627,326	2,238,284 103% 2*
Income - Consents	2,993,268	3,293,419	(300,151)	9,764,772	10,018,640	(253,868)	13,358,187 73% 3*
Income - External Cost Recovery	386,398	513,948	(127,549)	865,716	1,562,447	(696,730)	2,083,262 42% 4*
Income - Regulatory	2,238,410	1,594,320	644,089	5,257,072	4,782,961	474,111	6,377,282 82% 5*
Income - Operational	8,136,380	6,458,483	1,677,897	27,388,088	21,891,042	5,497,046	56,622,528 48% 6*
Total Operating Revenue	34,907,529	32,342,564	2,564,965	106,370,722	100,008,436	6,362,286	160,849,069 66%
EXPENDITURE							
Personnel Expenditure							
Expenditure - Salaries & Wages	7,353,323	7,391,002	37,678	22,105,794	23,098,290	992,496	30,375,378 73% 7*
Expenditure - Salaries & Wages Contract	1,442,653	1,169,369	(273,284)	4,371,306	3,538,775	(832,531)	4,718,366 93% 8*
Expenditure - Health Insurance	105,625	66,875	(38,750)	193,041	200,625	7,584	267,500 72%
Total Personnel Expenditure	8,901,602	8,627,246	(274,356)	26,670,141	26,837,689	167,548	35,361,245 75%
Operating Expenditure							
Expenditure - Professional Services	1,238,705	1,177,622	(61,084)	3,206,898	3,520,365	313,467	4,676,990 69% 9*
Expenditure - Legal	603,791	743,432	139,641	1,952,769	2,230,297	277,528	2,973,730 66% 10*
Expenditure - Stationery	105,529	98,325	(7,205)	261,603	294,975	33,372	393,299 67%
Expenditure - IT & Phones	242,464	188,246	(54,218)	659,031	564,737	(94,294)	752,983 88%
Expenditure - Commercial Rent	580,086	538,583	(41,503)	1,535,245	1,645,851	110,606	2,244,021 68% 11*
Expenditure - Vehicle	134,882	155,325	20,443	456,678	465,975	9,297	621,300 74%
Expenditure - Power	768,226	832,968	64,742	2,305,558	2,498,903	193,345	3,331,870 69% 12*
Expenditure - Insurance	229,924	180,004	(49,919)	625,628	540,013	(85,615)	720,017 87%
Expenditure - Infrastructure Maintenance	6,815,586	6,058,774	(756,811)	20,955,767	18,718,426	(2,237,342)	25,118,496 83% 13*
Expenditure - Parks & Reserves Maintenance	1,929,153	2,000,373	71,219	5,158,678	5,481,447	322,769	10,369,038 50% 14*
Expense - External Cost On Chargeable	374,743	513,948	139,205	1,009,463	1,562,447	552,984	2,083,262 48% 2*
Expenditure - Grants	1,338,223	1,324,183	(14,040)	4,287,372	4,284,926	(2,446)	6,580,280 65%
Expenditure - Other	2,899,549	2,881,169	(18,380)	10,071,771	9,666,277	(405,494)	13,249,164 76% 15*
Total Operating Expenditure	17,260,859	16,692,951	(567,908)	52,486,462	51,474,638	(1,011,824)	73,114,451 72%
Interest and Depreciation							
Expenditure - Interest	1,420,887	2,322,440	901,553	4,279,637	6,967,321	2,687,684	9,289,761 46% 16*
Expenditure - Depreciation	5,676,324	5,676,324	0	17,062,498	17,062,498	0	25,148,122 68%
Total Interest and Depreciation	7,097,211	7,998,764	901,553	21,342,135	24,029,819	2,687,684	34,437,884 62%
Total Expenditure	33,259,672	33,318,961	59,289	100,498,737	102,342,146	1,843,409	142,913,579 70%
NET OPERATING SURPLUS/(DEFICIT)	1,647,857	(976,397)	2,624,254	5,871,985	(2,333,710)	8,205,695	17,935,490

Capital Revenue and Expenditure

Description	QTR 3		Variance to Budget	% of Year Completed			YTD Actuals to Full Year Budget
	Actual	Adjusted Budget		Year to date Actual	Year to date Adjusted Budget	Year to date Variance	
Capital Revenue							
Income - Development Contributions	2,650,917	4,059,794	(1,408,877)	10,745,833	12,179,382	(1,433,549)	16,239,175 66% 17*
Income - Vested Assets	0	0	0	0	0	0	10,733,077 0%
Income - Grants & Subsidies Capex	2,280,021	3,296,274	(1,016,253)	4,262,937	7,075,421	(2,812,484)	10,571,695 40% 18*
Total Capital Revenue	4,930,937	7,356,068	(2,425,130)	15,008,770	19,254,803	(4,246,033)	37,543,947 40%
Capital Expenditure							
Projects/Asset Purchases	19,741,675	26,478,426	6,736,751	41,212,672	54,043,000	12,830,328	94,625,622 44% 19*
Debt Repayment	0	0	0	0	0	0	16,890,000 0%
Total Capital Expenditure	19,741,675	26,478,426	6,736,751	41,212,672	54,043,000	12,830,328	111,515,622 44% 19*
NET CAPITAL FUNDING REQUIRED	14,810,738	19,122,358	4,311,620	26,203,902	34,788,197	8,584,295	73,971,675
External Borrowing							
Loans	0	0	0	0	0	0	0 0%
Bonds	73,746,000	73,746,000	0	73,746,000	73,746,000	0	187,082,000 100%
Total Borrowing	73,746,000	73,746,000	0	73,746,000	73,746,000	0	187,082,000 100%

Commentary - Operational

*1 Income - Grants & Subsidies - \$505k favourable year to date predominantly due to \$498k additional NZTA opex subsidy income. This includes \$236k of NZTA funding towards Emergency Reinstatement costs for the Glenorchy Road slips. The balance largely being due to timing of environmental maintenance work (which offsets in Infrastructure maintenance costs - See Note.13 below) along with increased funding by NZTA towards this activity. For noting: NZTA Funding Assistant Rates (FAR) for Glenorchy and Crown Range SPRs are to stay at 100% and 90% for 2018:19 (Budgeted at 92% and 84%). There has also been a \$98k grant received from Central Lakes Trust for the Bathhouse Playground and \$200k TIF round 2 funding received from MBIE for toilets throughout the region. This is offset with a \$300k reversal of a 2017:18 accrual for a Wanaka Recreation Centre grant.
*2 Income - NZTA External Cost Recoveries - The \$627k favourable year to date variance is mainly due to internal time allocations to CAPEX of \$548k and OPEX of \$79k, which reflects revised recovery targets following an internal review of staff costs.
*3 Income - Consents - The year to date unfavourable variance of \$254k is within engineering labour recoveries due to a change in policy - QLDC no longer invoice applicants for time spent processing development contribution notices.
*4 Income - External Cost Recovery - This is the income received from on-charging external consultant costs mostly in relation to consent applications. The expense matching this income is below in the expense line - External cost on chargeable and is YTD favourable. The difference between income and expense is due to timing of raising the invoice for on-charging.
*5 Income - Regulatory - The year to date favourable variance of \$474k includes increased carpark revenue via Pay&Display machines of \$296k and additional environmental health premises registrations of \$67k.
*6 Income - Operational - The year to date favourable variance of \$5.5m includes the Queenstown Airport final 2017:18 dividend for \$5.4m which is \$430k above Full Year budget. Net Interest is \$889k favourable due to additional interest received through cash management. Turnover rents and lease income is \$273k favourable to budget and Refuse income \$434k favourable YTD (offsets with Infrastructure Maintenance - see note *13). Camp ground commercial license fees are \$149k favourable due to a rent review increase. Council also received \$1.8m as part of the Lakeview sale to Well Smart Investment Holding Ltd.
*7 Expenditure - Salaries and Wages - The favourable year to date variance of \$992k for salaries and wages is due to carrying vacancies through the year in Planning and Development (\$796k) of which \$445k is within District Plan, Property and Infrastructure \$159k and Community Services \$99k. This is offset with additional contract staff costs to fill vacancies.
*8 Expenditure - Salaries and Wages Contract Staff - The \$833k unfavourable year to date variance includes an additional \$535k of contract staff processing costs within Planning & Development to cover vacancies which is partially offset by their additional revenue within Consenting income. Property & Infrastructure and Finance have combined \$233k of unbudgeted contract staff spend to cover vacancies.
*9 Expenditure - Professional Services - \$313k favourable year to date variance is mostly due to the timing of spend within Corporate Services (\$280k favourable), Community Services (\$73k favourable) and Infrastructure (\$101k favourable) which is expected to be caught up in the final quarter predominately due to the various Central Government works. This is offset with (\$181k) additional District Plan costs partly due to high levels of work on environment court appeals.
*10 Expenditure - Legal - Legal costs for the District Plan have reduced and are now tracking \$269k favourable year to date due to a fixed term internal role within the legal team. This is offset by higher legal fees across the rest of Planning and Development including in Resource Management for appeals and settlements.
*11 Expenditure - Commercial Rent - The main driver for the favourable year to date variance of \$110k is due to not commencing the Frankton library lease until December 2018.
*12 Expenditure - Power - \$193k favourable year to date is due to reduced power and gas expenditure for Alpine Aqualand (\$58k YTD fav) during the 6 week pool closure last year and a \$151k YTD underspend for Wanaka Recreation Centre and pool which will be a permanent difference.
*13 Expenditure - Infrastructure Maintenance - The unfavourable year to date variance of \$2.2m includes \$551k Roading emergency reinstatement costs (\$236k of which is funded by NZTA for over \$100k one-off events) along with \$352k unfavourable spend within Environmental Maintenance due to timing of expenditure (88% of annual budget spent) and \$118k subsidised footpath maintenance works (Offset with additional Income per Grants and subsidies Note. 1). Refuse is \$1.1m unfavourable year to date which includes \$426k refuse disposal costs (carbon credits, glass to Landfill, tyres), \$416k Landfill costs (due to increasing volumes of waste) and \$312k Recycling costs (due to increased collections) which is partially offset with \$434k additional income. Overall net impact is \$1.5m (after adjusting for grants & subsidies and user charges received)
*14 Expenditure - Parks and Reserves Maintenance - The favourable YTD variance of \$323k is predominantly due to an underspend on parks contracts expenditure with contractors being diverted from scheduled works to the storm damage in January and not having the time or resources to catch up on the scheduled programming of works. There is a \$118k timing underspend on toilet facility maintenance which will be completed once the peak tourist season has passed.
*15 Expenditure - Other - There has been an additional \$284k commissioner costs required within Planning & Development due to the Stage 2 District Plan process which was lengthy and complex and required more extensive hearing time and Commissioner input into decision reports.
*16 Expenditure - Interest - Interest expense is favourable by \$2.7m due to lower than expected interest rates and timing of capex spend which is mainly within the Property & Infrastructure space where the interest budget is phased straight line and has not been adjusted for projects deferred timing of delivery.

Commentary - Capital Revenue and Expenditure

*17 Income - Development Contributions - Development contribution invoices across 445 applications around the District were generated totalling \$10.8m for March year to date. The largest include \$795k for 160 lots in Hanleys Farm, \$734k for 43 lots at Stone St, Wanaka and \$565k for Stage 2 block A at Queenstown Central. Totals for the year to date by programme are Waste Water \$3.2m, Transport \$3.0m, Parks and Reserves \$2.4m, Water Supply \$1.8m and Storm Water \$350k.
*18 Income - Grants & Subsidies Capex - For Noting: NZTA released their initial NLTP (National Land Transport Programme) budgets for 2018:19 through to 2020:21 at the end of August which Council has reviewed and continues to follow up with NZTA on projects awaiting funding to be released. Approved funding is dependent on business cases being finalised and agreed, which are in progress but likely to result in further deferrals of the NZTA subsidised CAPEX work programme. The first capex reforecast in December 2018 had deferred \$4.3m costs and \$2.3m income to Years 2 and 3 of the Long Term Plan which has been adjusted to match revised timing of delivery. The second reforecast has further transport deferrals of \$5.7m costs and income of \$3.4m to Year 2.
*19 Project Expenditure - A second re-forecast process has been approved by Council in line with the 3 Waters bundles revised procurement plan which has re-phased the construction of major projects to Years 2 and 3 of the Long Term Plan. The revised total budget of \$94.6m has been adjusted for deferrals of \$54.9m, brought forward expenditure of \$8.4m and other adjustment increases totalling \$2.9m. The largest individual year to date spends include: North East Frankton Stormwater conveyance \$2.4m, Water taxi service/ferry network \$3.2m, Project Shotover Disposal Field \$2.0m, Kawarau Bridge Remarks Pk WW Rising Main \$1.6m.