ANNUAL PLAN | MAHERE Ā-TAU

1 July 2019 – 30 June 2020

QUEENSTOWN LAKES DISTRICT COUNCIL

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Introduction | Te Whakatakika

Tēnā koutou katoa.

The 2018-2028 Ten Year Plan outlined our commitment to making Queenstown Lakes District a place where people can afford to live, where you don't waste time in traffic, you have great transport options, places to enjoy, relax, exercise or be enriched and entertained. Where you can rely on the infrastructure and services, and best of all that these things all complement the incredible landscapes in which we live. We continue to strive to achieve that and to innovate by exploring ways to be more efficient, sustainable, cost-effective and future-thinking. As such we have made significant progress on a number of projects and you will read more about those later.

This Council has long advocated with Central Government to find a way to ease the burden of infrastructure investment on ratepayers. We believe we have a model that can achieve this and ensures that visitors to our beautiful district make a much-needed contribution to tourism-related infrastructure. The Council continues to work with Central Government on what an alternative funding stream would look like.

Whether you live here or are just visiting, everyone's flushing the toilet and driving on the roads so it's only right that everyone shares the cost. If we don't get this alternate funding stream we can't keep up with the investment that's needed over time. The investment that's needed for roading, water, upgrading our town centres, transport and facilities will not be available in time to ensure that what it means to live here or visit the district does not become degraded. This is the strong case we have made to Central Government and it has agreed. Our situation is exceptional in Aotearoa New Zealand. No other location in the world experiences the quantum of our visitor ratio (one local resident per 34 international visitors). The response to the Queenstown Lakes unique challenge will need to be exceptional. We look forward to sharing more with the community on developments with the Government as they progress.

A big focus for this Annual Plan is our journey towards zero waste. We've reached a crossroads in the district around our commitment to recycling, composting and reducing the rubbish we make. It's not radical, fringe or alternative to reduce our carbon footprint - it's our only option. Climate change is bigger than any of us and will need global change. As a Council and a community we must accept that the actions of every individual can shift the outcomes for future generations. We need to act now.

We're excited to be rolling out a new solid waste service from 1 July and for many this will be a significant change in how they manage waste and to rethink what they can recycle, reuse and reduce. This new consistent, district-wide service comes with innovation and education to reflect this Council's commitment to the district's environment. We acknowledge this is a step in our collective journey towards zero waste and you will all be at different stages along that pathway. We encourage you all to join us in continuing that journey.

Defining our district's future was the work undertaken in creating a community vision. Under the title of 'A Unique Place. An Inspiring Future | He Wāhi Tūhāhā. He Āmua Whakaohooho' key thinkers from the district created objectives for a draft vision which was shared during December and January for community feedback. The vision aims to capture key themes for how we want to live, work and play in the future. The Council will commit to the final community vision to underpin key strategies and future thinking across number of areas, including a review of our 30 year Infrastructure Strategy, the QLDC masterplanning processes such as Wānaka Town Centre and the Te Kirikiri Frankton Masterplan, and the Council's Climate Change Action Plan.

We hope that you are heartened by the progress we have made in beginning to implement this ambitious Ten Year Plan, and encouraged by the plans we have before us. There are some incredibly exciting developments ahead of us, so please take the time to tell us what you think.

JIM & MIKE

JIM BOULT
Mayor
Queenstown Lakes District Council

MIKE THEELEN
Chief Executive
Queenstown Lakes District Council

2019/20 Financial Highlights | Paeka Ahumoni mō kā tau 2019/20

BACKGROUND

According to the Local Government Act, the Annual Plan process is secondary to the 10-Year Plan process and there is no requirement to consult unless there are significant variations from the budget for the same year in the 10-Year Plan. QLDC has decided to consult this year through the 2019/20 Annual Plan consultation document.

The 10-Year Plan was prepared in October 2017 and since this time the region has continued to experience unprecedented growth. The 2019/20 year represents Year 2 of the 10-Year Plan and there have been some changes to budgets which are necessary but which were unforeseen in 2017:

> New solid waste contract – revised revenue and expenditure profiles.

> Revised 3 Waters maintenance contract – risk reduction and improved levels of service.

> Revised IT contract - Software as a Service (SaaS) – allowing for migration to cloud to enable risk reduction.

Revised budgets for all three of these items have now been incorporated into the 2019/20 Annual Plan. The impact of these is described in more detail below.

BUDGET COMPARISON

The table below highlights the main changes between the proposed Annual Plan budget for 2019/20 to the 10-Year Plan budget for the same year:

BUDGET COMPARISON	AP	10YP Yr 2	
	19/20	19/20	CHANGE
	$m	$m	$m
Capital works	163.43	177.37	-13.93
Operating cost	153.83	148.54	5.29
Total revenue	204.03	212.80	-8.77
Debt repayment	15.73	19.25	-3.52
New loans	107.30	117.28	-9.98
Rates increase	9.85%	5.99%	3.86%

The proposed rates increase for 2019/20 is 9.85% (after allowing for growth of 3.5% in the rates database). This is above the 5.99% signalled in the 10-Year Plan for 2019/20. Please refer to the next section for a discussion on the proposed rates increase. The rates increase before the increase in funding for Destination Queenstown is 8.87% which is only marginally up from the 8.72% signalled in the Consultation Document. The additional 0.98% applies only to businesses in the Queenstown/Wakatipu wards.

The capital budget has reduced by $13.93m which reflects the deferral of some of the transportation projects in Queenstown as a result of the extended timeframe required for NZTA approval.

Operating costs are up by $5.29m compared to the 10-Year Plan which is largely driven by the following factors:

- Increases in staff costs of $1.86m due to a continued increase in activity in consenting, regulatory services and planning, enhanced services, and replacement of contractors. These costs are largely offset by increased revenue.
- IT costs of $0.75m to allow for transition to software as a service which will reduce future capex costs and increase system resilience in times of disaster.
- Increased landfill costs of $0.99m due to increased volumes of waste and the cost of carbon credits (largely covered by additional revenue).
- Costs of District Plan review are $0.66m higher than initially forecast for 2019/20.
- Revised 3 Waters maintenance contract $0.75m – allowing for operational risk reduction and increased levels of service.
- Reduced interest costs $1.52m – as a result of capex deferrals in 2018/19 and 2019/20.
- Increased grant to Destination Queenstown of $0.9m as a result of the submission process.

The budget for total revenue has decreased by $8.77m overall. This is largely the result of the deferral of part of the anticipated Lakeview sale which was included in year 2 of the 10-Year Plan. Other operating revenue has been adjusted as a result of the following:

- Decreased user charges ($1.1m) due to the removal of solid waste bin and bag levy income ($2.47m) which is partly offset by increased waste management disposal income due to increased volumes ($0.99m).
- Decreased NZTA subsidy of $3.1m as a result of Transport capex deferrals.

NEW SOLID WASTE CONTRACT

The impact of the new solid waste contract which offers a universal (3 bin) residential service from 1 July 2019, is that ratepayers no longer have to privately contract for the residual waste collection service. Under the previous model, ratepayers could purchase a 120L or 240L bin from Allwaste which would cost $260 or $452 per annum respectively or purchase 60L blue bags at $4.10 each. QLDC would receive a portion of these fees back from Allwaste to cover the cost of disposal of the refuse collected. This amounted to $2.48m annually.

The new service provides for a 120L residual waste bin which will be charged for in rates (Waste Management Charge). The impact of this is that the $2.48m previously coming to QLDC as a user charge will now be charged in rates for 2019/20. The Waste Management Charge for residential and country dwelling properties will increase to $312 per annum from $152; an increase of $160. Overall, the new contract structure adds approximately 3.25% to rates.

There is however, a clear transfer of cost for many households. It is expected that many ratepayers will benefit from savings under the new contract as the additional $160 in rates can be offset against the cost of an Allwaste bin or the cost of blue bags no longer required.

There are approximately 6,300 Allwaste bins and around 347,000 blue bags sold in a year. In simple terms, a ratepayer who previously had a 120L Allwaste bin will save $100 per year and someone buying 52 bags (at $213 per annum) will save $53.

Rates Impact | Kawekawe Rēti

The anticipated average rates increase for 2019/20 in the 10 Year Plan was 5.99% (after allowing for growth of 3.5%). The impact of the new solid waste contract will add approximately 3.25% to this whilst the revised IT contract will add a further 1%.

The combined impact of these changes could move the average rates increase to well over 10% with residential properties being affected to a greater degree. We are very conscious of the need to minimize the rates increase this year and although there is a clear cost transfer/offset issue with the new solid waste contract, we have striven to contain the average rates increase to below 9%.

This means that we have been able to offset the effect of the other cost increases (staff costs, District Plan, and 3 Waters contract) against increased fees, enhanced cost recovery, increased loan funding for the District Plan and savings in interest expense.

As a result of the submission process, the Council has agreed to increase the funding for community grants and to adjust certain operational budgets as a result of improved information. The rating impact of these changes sees the overall average rates increase move from 8.72% to 8.87% (after allowing for growth).

In addition to this, the Council agreed to support the submission from Destination Queenstown to increase its funding allocation to $4.5m for 2019/20 from $3.6m in 2018/19. This proposal was supported by Destination Queenstown members in April 2019. The effect of this change will be an increase in the total rates paid by businesses in the Queenstown/Wakatipu wards of between 2.6% to 4.7%.

The increase is not evenly spread however as the following examples show:

SUMMARY OF INDICATIVE TOTAL RATES MOVEMENTS 19/20

MEDIAN VALUES

			Rates Increase	
Property Type	**CV**	**Location**	**%**	**$**
Residential	$1,090,000	Queenstown	11.75%	$342
Commercial	$1,890,000	Queenstown	8.36%	$519
Accommodation	$2,081,000	Queenstown	8.21%	$809
M/U Accommodation	$1,260,000	Queenstown	11.36%	$434
Vacant	$700,000	Queenstown	4.97%	$106
M/U Commercial	$1,250,000	Queenstown	11.26%	$405
Residential	$845,000	Wanaka	10.83%	$302
Commercial	$1,045,000	Wanaka	5.77%	$279
Accommodation	$1,100,000	Wanaka	6.51%	$459
M/U Accommodation	$900,000	Wanaka	10.08%	$358
Primary Industry	$5,050,000	Wanaka	12.44%	$497
Country Dwelling	$1,560,000	Wanaka	14.06%	$311
Vacant	$550,000	Wanaka	4.23%	$90
M/U Commercial	$880,000	Wanaka	9.92%	$332
Residential	$890,000	Arrowtown	12.99%	$355
Commercial	$1,650,000	Arrowtown	5.79%	$337
Accommodation	$1,700,000	Arrowtown	6.71%	$495
M/U Accommodation	$900,000	Arrowtown	11.70%	$389
Vacant	$720,000	Arrowtown	5.72%	$121
M/U Commercial	$900,000	Arrowtown	11.61%	$366
Primary Industry	$4,100,000	Wakatipu	11.07%	$329
Country Dwelling	$2,050,000	Wakatipu	12.49%	$283
Residential	$700,000	Glenorchy	11.72%	$263
Residential	$820,000	Lake Hayes	10.74%	$276
Residential	$570,000	Hawea	8.87%	$217
Residential	$700,000	Luggate	11.71%	$228
Residential	$650,000	Kingston	16.27%	$237
Residential	$860,000	Arthurs Point	13.42%	$377

SUMMARY OF INDICATIVE TOTAL RATES MOVEMENTS 19/20				
LOWER VALUES				
			Rates Increase	
Property Type	CV	Location	%	$
Residential	$750,000	Queenstown	11.88%	$306
Commercial	$430,000	Queenstown	7.19%	$187
Accommodation	$685,000	Queenstown	8.49%	$328
M/U Accommodation	$830,000	Queenstown	11.58%	$369
Vacant	$345,000	Queenstown	4.22%	$76
M/U Commercial	$800,000	Queenstown	11.51%	$343
Residential	$730,000	Wanaka	10.81%	$287
Commercial	$520,000	Wanaka	5.29%	$166
Accommodation	$570,000	Wanaka	6.48%	$251
M/U Accommodation	$690,000	Wanaka	10.18%	$324
Primary Industry	$1,330,000	Wanaka	14.77%	$274
Country Dwelling	$1,100,000	Wanaka	14.66%	$272
Vacant	$440,000	Wanaka	3.72%	$74
M/U Commercial	$600,000	Wanaka	10.08%	$290
Residential	$925,000	Arrowtown	13.01%	$360
Commercial	$550,000	Arrowtown	5.73%	$169
Accommodation	$520,000	Arrowtown	7.06%	$243
M/U Accommodation	$760,000	Arrowtown	11.76%	$366
Vacant	$390,000	Arrowtown	5.15%	$94
M/U Commercial	$775,000	Arrowtown	11.67%	$347
Primary Industry	$1,410,000	Wakatipu	14.19%	$239
Country Dwelling	$1,015,000	Wakatipu	14.43%	$229
Residential	$480,000	Glenorchy	6.86%	$142
Residential	$730,000	Lake Hayes	10.73%	$268
Residential	$480,000	Hawea	7.68%	$181
Residential	$570,000	Luggate	11.62%	$216
Residential	$460,000	Kingston	16.85%	$220
Residential	$690,000	Arthurs Point	13.79%	$359

SUMMARY OF INDICATIVE TOTAL RATES MOVEMENTS 19/20				
HIGHER VALUES				
			Rates Increase	
Property Type	CV	Location	%	$
Residential	$3,650,000	Queenstown	11.28%	$613
Commercial	$22,700,000	Queenstown	8.26%	$6,498
Accommodation	$57,000,000	Queenstown	7.76%	$20,654
M/U Accommodation	$4,250,000	Queenstown	10.76%	$882
Vacant	$1,010,000	Queenstown	5.46%	$132
M/U Commercial	$1,655,000	Queenstown	11.09%	$460
Residential	$1,820,000	Wanaka	10.97%	$426
Commercial	$10,700,000	Wanaka	5.74%	$2,803
Accommodation	$16,900,000	Wanaka	7.50%	$6,145
M/U Accommodation	$3,550,000	Wanaka	9.16%	$839
Primary Industry	$21,750,000	Wanaka	11.01%	$1,498
Country Dwelling	$3,710,000	Wanaka	12.72%	$494
Vacant	$1,430,000	Wanaka	6.85%	$213
M/U Commercial	$1,150,000	Wanaka	9.81%	$373
Residential	$2,230,000	Arrowtown	13.55%	$551
Commercial	$4,400,000	Arrowtown	5.20%	$747
Accommodation	$3,000,000	Arrowtown	3.72%	$536
M/U Accommodation	$2,200,000	Arrowtown	11.39%	$602
Vacant	$980,000	Arrowtown	6.06%	$143
M/U Commercial	$1,070,000	Arrowtown	11.55%	$392
Primary Industry	$18,300,000	Wakatipu	7.73%	$833
Country Dwelling	$6,080,000	Wakatipu	10.05%	$495
Residential	$920,000	Glenorchy	15.86%	$384
Residential	$1,150,000	Lake Hayes	10.79%	$306
Residential	$870,000	Hawea	12.30%	$335
Residential	$830,000	Luggate	11.88%	$252
Residential	$900,000	Kingston	15.68%	$259
Residential	$1,275,000	Arthurs Point	12.71%	$419

RATES IMPACT OF NEW SOLID WASTE CONTRACT

Illustrative examples are provided in the tables which follow for median value residential properties in Queenstown, Wanaka and Arrowtown. The following scenarios are depicted to illustrate the impact of the rates increase on the overall household budget:

> Allwaste red 120L bin

> 52 blue bags per annum

> 26 blue bags per annum

QUEENSTOWN

Property Type		**Residential**
Location		**Queenstown**
Rating Valuation (CV)		**$1,090,000**
Current use of bins or bags		**Allwaste red 120L bin**
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$182	6.26%
Increase to Waste Mgmt Chg	$160	5.49%
Total Rates Movement	$342	11.75%
Less cost of red Allwaste 120L bin pa	-$260	
Overall change in annual cost to Ratepayer	**$82**	**2.82%**

WANAKA

Property Type		**Residential**
Location		**Wanaka**
Rating Valuation (CV)		**$845,000**
Current use of bins or bags		**Allwaste red 120L bin**
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$142	5.09%
Increase to Waste Mgmt Chg	$160	5.74%
Total Rates Movement	$302	10.83%
Less cost of red Allwaste 120L bin pa	-$260	
Overall change in annual cost to Ratepayer	**$42**	**1.50%**

QUEENSTOWN

Property Type	Residential	
Location	Queenstown	
Rating Valuation (CV)	$1,090,000	
Current use of bins or bags	52 blue bags per annum	
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$182	6.26%
Increase to Waste Mgmt Chg	$160	5.49%
Total Rates Movement	$342	11.75%
Less cost of 52 blue bags pa	-$213	
Overall change in annual cost to Ratepayer	**$129**	**4.43%**

Property Type	Residential	
Location	Queenstown	
Rating Valuation (CV)	$1,090,000	
Current use of bins or bags	26 blue bags per annum	
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$182	6.26%
Increase to Waste Mgmt Chg	$160	5.49%
Total Rates Movement	$342	11.75%
Less cost of 26 blue bags pa	-$107	
Overall change in annual cost to Ratepayer	**$235**	**8.09%**

WANAKA

Property Type	Residential	
Location	Wanaka	
Rating Valuation (CV)	$845,000	
Current use of bins or bags	52 blue bags per annum	
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$142	5.09%
Increase to Waste Mgmt Chg	$160	5.74%
Total Rates Movement	$302	10.83%
Less cost of 52 blue bags pa	-$213	
Overall change in annual cost to Ratepayer	**$89**	**3.18%**

Property Type	Residential	
Location	Wanaka	
Rating Valuation (CV)	$845,000	
Current use of bins or bags	26 blue bags per annum	
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$142	5.09%
Increase to Waste Mgmt Chg	$160	5.74%
Total Rates Movement	$302	10.83%
Less cost of 26 blue bags pa	-$107	
Overall change in annual cost to Ratepayer	**$195**	**7.01%**

ARROWTOWN

Property Type	Residential	
Location	Arrowtown	
Rating Valuation (CV)	$890,000	
Current use of bins or bags	Allwaste red 120L bin	
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$195	7.13%
Increase to Waste Mgmt Chg	$160	5.86%
Total Rates Movement	$355	12.99%
Less cost of red Allwaste 120L bin pa	-$260	
Overall change in annual cost to Ratepayer	**$95**	**3.46%**

Property Type	Residential	
Location	Arrowtown	
Rating Valuation (CV)	$890,000	
Current use of bins or bags	52 blue bags per annum	
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$195	7.13%
Increase to Waste Mgmt Chg	$160	5.86%
Total Rates Movement	$355	12.99%
Less cost of 52 blue bags pa	-$213	
Overall change in annual cost to Ratepayer	**$142**	**5.18%**

Property Type	Residential	
Location	Arrowtown	
Rating Valuation (CV)	$890,000	
Current use of bins or bags	26 blue bags per annum	
	$	%
Rates Movement (excluding increase to Waste Mgmt Chg)	$195	7.13%
Increase to Waste Mgmt Chg	$160	5.86%
Total Rates Movement	$355	12.99%
Less cost of 26 blue bags pa	-$107	
Overall change in annual cost to Ratepayer	**$248**	**9.09%**

What's Changed? | Kā Panonitaka

THE JOURNEY TOWARDS ZERO WASTE

As a Council and a community we must act now and work towards a zero waste future. The new district-wide contract for solid waste reflects the collective approach needed, and is a collaboration between Waste Management New Zealand and nationally-recognised sustainability leaders, Wastebusters.

For most of us the new waste collection service will be a significant improvement. It's an opportunity to consciously choose to make less rubbish, to recycle responsibly and to introduce home composting (if not already doing so) and green waste management. Taking bags and containers to the supermarket and choosing packaging that can be composted or recycled needs to become a conscious decision because that's just how we do things around here.

On our journey towards zero waste we have to recognise that the diverse communities and people of our district are travelling at different speeds. To make change for the majority, we know we must ask some of you at the leading edge, to be patient. You're the future-facing members of our community already making significant steps towards zero waste. Please help us to support our wider community constructively as we introduce a district-wide change to managing our solid waste. It's a big picture issue and we must collectively reduce our waste.

What's cool about it?

- A fleet that includes electric zero-emission collection trucks.
- E-bike public litter bin collection in the CBDs.
- A commitment to improved service levels (all bins will have RFID tracking to ensure bins do not get missed or lost).
- District-wide glass recycling – making glass back into glass. The most cost-effective sorting is in the home.
- District-wide community partnering with Wastebusters to support the journey towards zero waste through innovative and consistent education and advisory programmes.

What it won't include:

- Oversized rubbish wheelie bins that are too easy to throw away recyclables, organic waste and greenwaste with your household rubbish. Changing to reduce your rubbish is the shift that we encourage you to make so you'll receive a 140L bin paid for through your rates. If you retain a privately-sourced 240L All Waste service you will be paying twice for rubbish removal.
- No more blue bags where you can choose to fill as many as you like!
- No more animals ripping the blue bags apart and spreading rubbish throughout urban areas.
- Reduced risk to rubbish collectors handling bags. The potential for injury was too high.
- An organic collection; a future step in the Waste Minimisation and Management Plan 2018. That means taking the step towards removing organics entirely from your waste by composting (this can be achieved in a multitude of ways including bokashi bucket composting in the smallest of apartments). You can purchase a bucket at any Council office.

What will it include?

- Every household will have two 140L bins (for separate glass and rubbish) and one 240L bin for all your other recycling. Glass and mixed recycling will be collected on alternate weeks, waste will be weekly.

What is key to success?

- Reducing our waste as a district.
- Ensuring our recycling is clean. This will ensure we are successful with recycling streams. That means everything must be rinsed, all tins, all bottles and only clean paper and cardboard.

Who gets the service?

The kerbside service is for all properties with a residential component, this will include mixed-use properties and most country dwellings. The key factor is that it's a residential service.

What else will change?

We're also investing in changes at our transfer stations and recycling centre to enable better diversion from landfill and an enhanced user experience. Planning has begun, with the first visible changes expected from mid-2020 with the revamp of the Wānaka site. This will be followed by changes at the Te Kirikiri Frankton site where we will move to a flat floor transfer station and a new resource recovery centre. Completion is expected by the end of 2021.

So what will this cost me?

The price of blue bags and 240L (All Waste also supply 120L bins) red wheelie bins were additional household costs you will no longer need to pay for. The new service will be paid for through a targeted rate (waste management charge). This will increase by $160 per annum for all serviced properties. For many, the change will represent an overall cost saving. For others, it's probably a cost neutral proposition, although some may end up paying marginally more. For those individuals who are already on their way to creating minimal waste, we acknowledge and accept that for you, there is a price to supporting the whole district's journey towards zero waste. The new service will be the same for all, district-wide.

Please refer to page 9 for indicative costs for different households.

Can I opt out?

The simple answer to this question is no. Our commitment to continue the journey towards zero waste has been clearly outlined. To make this contract an affordable proposition for the wider community we needed to include all residential ratepayers and this is a district-wide approach. We need a service to create a platform from which we can collectively reduce waste, and create the step change that is required. Every household must opt in for change. The intention and hope is that all households will be incentivised to reduce their rubbish.

How will it work?

We plan to begin rolling out the new bins from 26 March 2019.

- If you have a crate (Wānaka Ward only) and can put it to good use you can keep it; alternatively return it.
- If you have a 140L recycling bin it will be replaced with new RFID encoded bins. The old bins will be collected and recycled into new bins.
- If you use blue bags you can continue to do so until 30 June 2019. The new wheelie bin service commences from 1 July 2019.
- If you have either a 120L or 240L wheelie bin service with All Waste, you will receive a 140L waste bin and you will be paying for this service through your rates. It will be your choice whether you still need the additional All Waste service as well.

QUEENSTOWN TOWN CENTRE CAPITAL PROGRAMMES

We reviewed and made minor adjustments to the capital expenditure programme in late 2018. Within the 2019/20 Annual Plan period the capital expenditure amounts to $163.4M, which is approximately $14M (7.8%) less than the programme outlined in the 2018-2028 Ten Year Plan. This is due primarily to the time required to work through NZTA process for some transport-related projects, such as the Queenstown Town Centre Masterplan arterial roads and parking buildings as detailed above.

NEW APPROACH TO DELIVERING 3 WATERS

Facing a programme almost three times larger than what the district has delivered before, QLDC has adopted a new model for procurement and delivery. We have worked closely with industry to develop this innovative approach which will bundle logical projects into larger programmes of work that allows contractors to offer better pricing, reduce reliance on consultants and therefore reduce the costs to ratepayers. Across 3 Waters the expenditure with consultants is forecast to reduce by $167k in 2019/20.

Adopting this approach will affect the timing of some programmes to ensure that contractors are able to deliver the bundled projects in the most efficient and cost-effective way. This comes alongside a revised maintenance contract for our 3 Waters infrastructure to reduce elements of risk in the network and increase levels of service across the district.

LAKEVIEW DEVELOPMENT

The Lakeview development on the edge of the CBD will create an exciting new mixed-use precinct and add great value to the heart of Tāhuna Queenstown. Revenue from Lakeview was estimated to be received in part in this coming financial year. During April 2019 we anticipate naming the successful master developer and sharing the vision for the precinct. Whilst excellent progress has been made the financial benefit will not be seen to the community until the 2020/21 financial year.

INTO THE CLOUD – an investment we can't afford to delay

The move to Cloud Hosting is a critical investment in our ability to manage disaster recovery, deliver business continuity and realise the benefits of improved customer services, online capability and staff mobility. The investment in hosting services is partially offset by reducing the need to invest in onsite server hardware, and the estimated long-term savings over the next ten years are $2.3M.

The change to the 2019/20 year budget is an increase to the projected budget to enable the implementation of Cloud Hosting, the budget difference being $750k or the equivalent of a 1% increase on rates.

RIGHT-SIZING STAFF NUMBERS

In a change from the 2018-2028 Ten Year Plan we are including an additional 28.25 FTE for 2019/20. This reflects an ongoing increase in Council activity across all services and delivering the many projects in the pipeline, which replaces costs assumed for contractors. These additional FTE are throughout the organisation but primarily in our Planning & Development, Property & Infrastructure, and supporting Corporate Services teams.

The additional cost to ratepayers for providing these essential new roles is $125,540 and their introduction is staggered throughout the year. Where possible, we have factored in alternate funding streams (such as fees and charges) for areas such as Resource and Building Consents. This will ensure that any cost to the ratepayer is minimised.

Our Consultation Process | Hātepe Matapaki

Below are the key dates of the consultation process.

7 MARCH 2019
Draft Annual Plan adopted

11 MARCH 2019
Submissions open

12 APRIL 2019
Submissions close

20 MAY 2019
Hearing of Submissions and Deliberations (Wanaka)

21 MAY 2019
Hearing of Submissions and Deliberations (Queenstown)

27 JUNE 2019
Council adopts Annual Plan

Summary of Changes | Whakarāpopototaka o kā panoni

The following is a summary of the changes to the 2019/20 Annual Plan that have been approved as a result of the submission process (111 submissions received in total):

NEW UNBUDGETED REQUESTS FOR FUNDING

Awarded for two years i.e. the remaining duration of the current Ten Year Plan cycle:

1. Upper Clutha Historical Records Society - $2k support
2. Lakes District Museum – increase from $80k to $100k grant
3. Luggate Community Association (Red Bridge Project) - $10k grant
4. Aukaha Kai Tahu - $50k grant (to note $150k funding sought and granted but $100k of this funding sits within existing project budget).
5. Study Queenstown - $80k grant
6. Start Up Queenstown Lakes - $220k grant
7. Wakatipu Youth Trust – increase from $40k to $51,750
8. Upper Clutha Tracks Trust – increase from $25k to $40k
9. Wanaka Watersports Facility Trust – $10k grant 19/20 and $40k grant 20/21
10. Lakes District Air Rescue Trust - $50k grant
11. Wakatipu Heritage Trust - $5k grant

The Council has also agreed to support the submission from Destination Queenstown to increase its funding allocation to $4.5m for 19/20 from $3.6m in 2018/19. The proposal was supported by Destination Queenstown members in April 2019.

FOR 2019/20 ONLY

1. Wakatipu Reforestation Trust (Slopehill Road Project) - $5k grant
2. Whakatipu Wildlife Trust - $10k grant
3. Upper Clutha Lakes Trust - $50k grant
4. Alpine Community Development Trust – increase from $33.5k to $48.5k
5. Queenstown Mountain Bike Club - $20k grant
6. Link Upper Clutha - $60k grant

Note: Head of the Lakes Trails Trust to receive support for its projects via the Infrastructure Minor Works Programme. QLDC will also explore options to assist with funding guarantor measures for the Wanaka Community House.

EXISTING BUDGETED REQUESTS FOR FUNDING

1. Community Association Grants
2. Arrowtown Promotion and Business Association
3. Destination Queenstown
4. Lakes District Museum (increase approved)
5. Wakatipu Reforestation Trust (increase approved)
6. Shaping our Future
7. Queenstown Trails Trust
8. Wakatipu Youth Trust (increase approved)
9. Sport Otago
10. Alpine Community Development Trust (increase approved)
11. Upper Clutha Tracks Trust (increase approved)
12. Happiness House

INTERNAL (QLDC) UNBUDGETED REQUESTS FOR FUNDING

Operational Expenditure:

1. Updated property net revenue to reflect latest lease details and acquisition $223k;
2. New joint Street Lighting maintenance contract with NZTA signed net cost ($95k);
3. Increase in insurance for additional material damage cover and higher premium unit rates for 3 waters infrastructure ($100k);
4. Increase corporate services budget for contract, survey and knowledge management costs ($109k).

Capital Expenditure:

1. Replacement of aquatic roof tiles and ventilation upgrades at Alpine Aqualand ($2.2m);
2. Construction deferral for two new courts at the Queenstown Events Centre $2.3m.

SECTION 2: GENERAL INFORMATION | WĀHAKA 2: PĀROKO WHĀNUI

Growth Projections

GROWTH AND POPULATION ASSUMPTIONS

Growth is the key challenge we are facing as a district. To assist with future planning, the Council has spent considerable time and effort developing comprehensive growth projections. These have been estimated using the best information available.

Projections have been developed for:

> The resident population;

> The number of visitors (day visitors, visitors in private residences and those in commercial accommodation);

> The number of occupied and unoccupied dwellings that will be required in the future; and

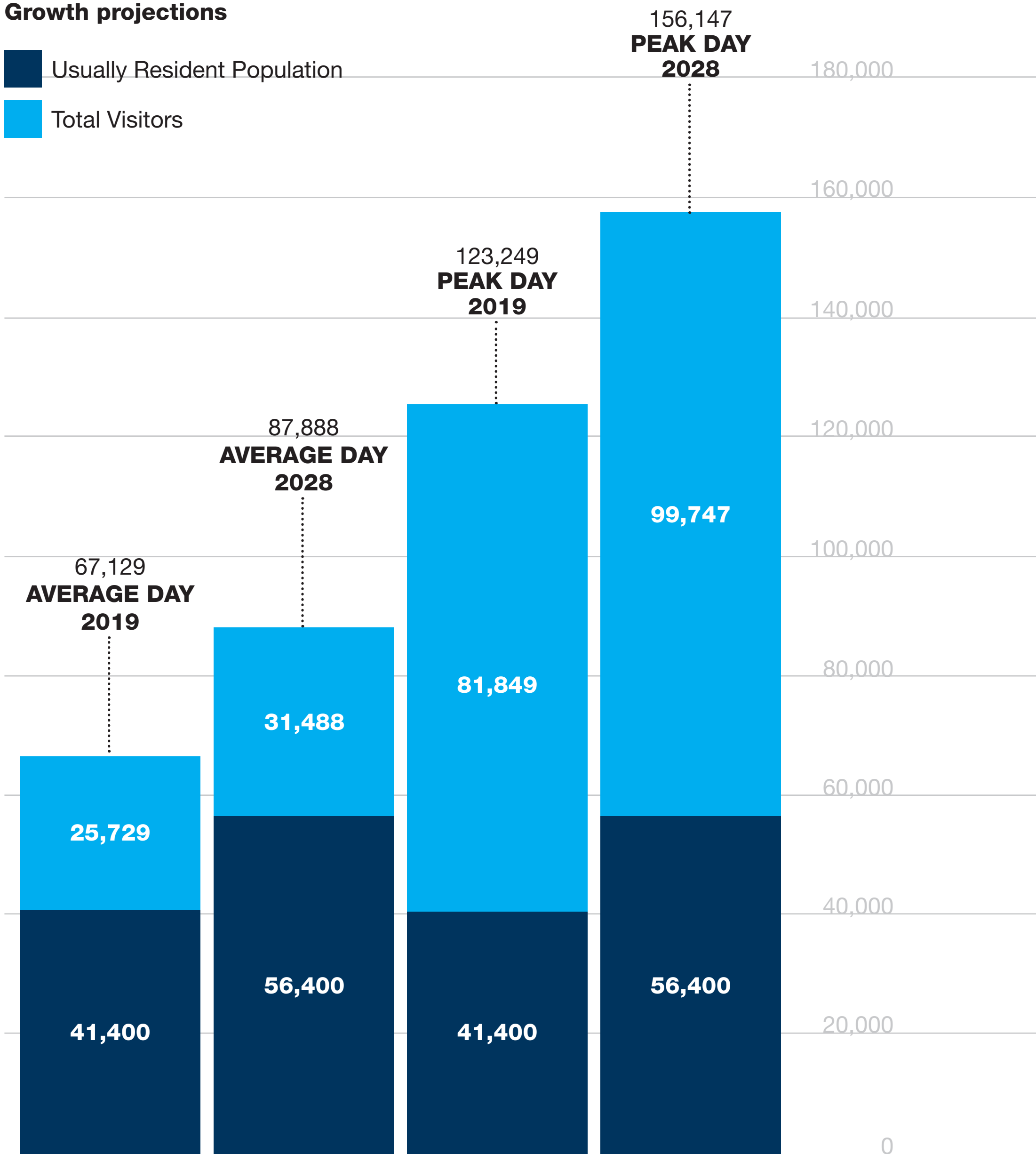
> The number of visitor units that will be required in the future.

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

Because growth is a district-wide challenge our projections include all of our communities, urban, rural, large and small. The projections are based on a 'business as usual' model and do not assume any constraints or intervention in the market.

SOURCE: QLDC Growth Projections to 2058, December 2018

Growth projections



AVERAGE DAY POPULATION GROWTH

SOURCE: QLDC Growth Projections to 2058, December 2018

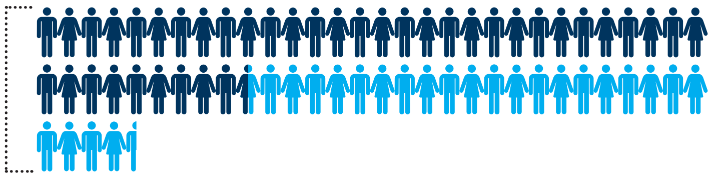
AVERAGE DAY POPULATION	2019	2028	2048
Wanaka Ward	21,245	28,429	36,109
Wakatipu Ward	45,884	59,460	77,329
Whole District	67,129	87,888	113,437

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

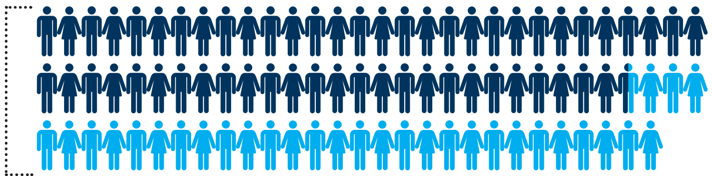
Of the **average day population**, around 61% is the usually resident population. Approximately 69% of these residents will live in the Wakatipu Ward and the remainder in the Wanaka Ward.

Usually Resident Population   Total Visitors

67,129
AVERAGE DAY
2019



87,888
AVERAGE DAY
2028



PEAK DAY POPULATION GROWTH

SOURCE: QLDC Growth Projections to 2058, December 2018

PEAK DAY POPULATION	2019	2028	2048
Wanaka Ward	48,560	61,288	76,728
Wakatipu Ward	74,689	94,859	124,046
Whole District	123,249	156,147	200,774

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

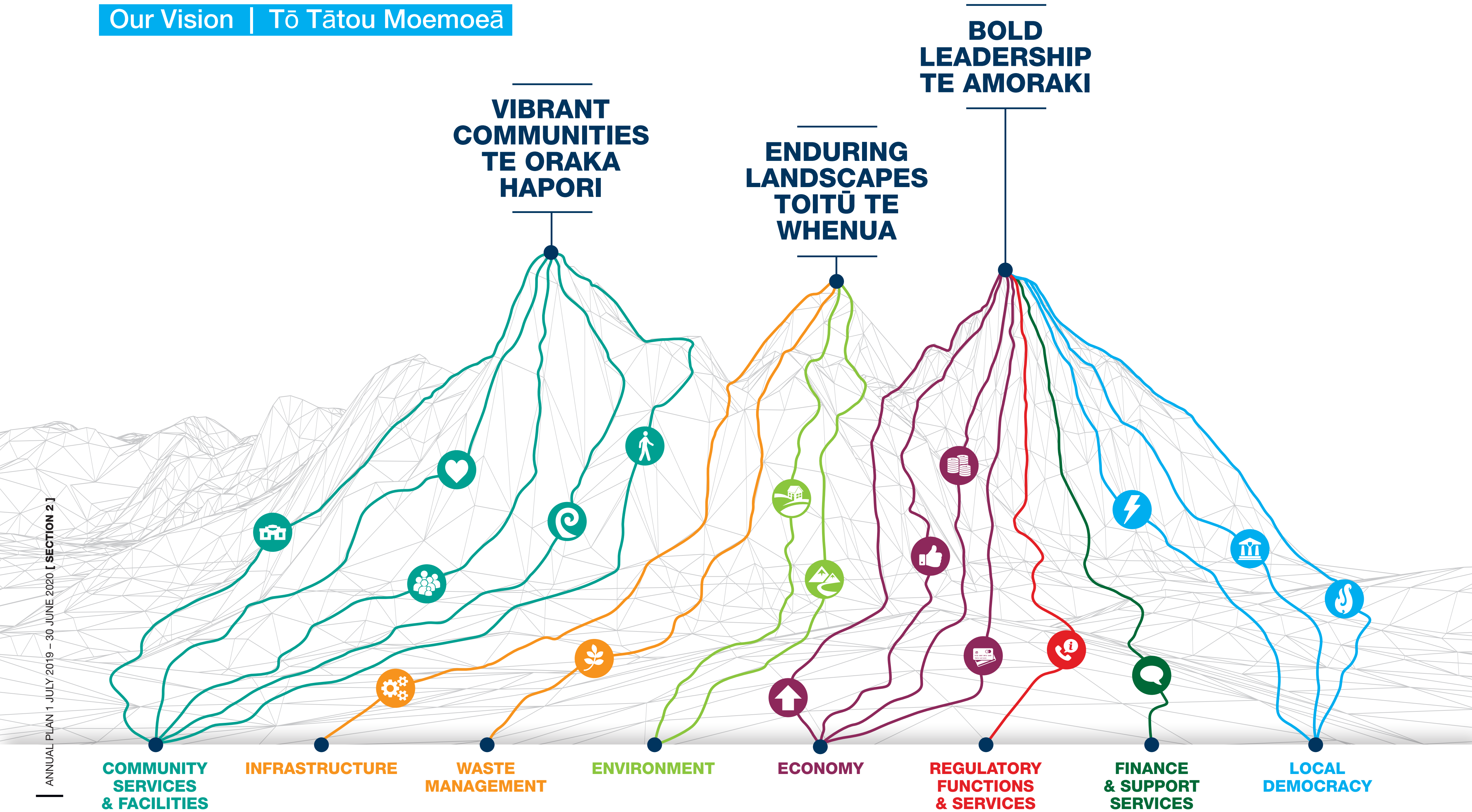
The peak period typically falls over the New Year period (late December / early January) and is relatively short. The projection is particularly important for infrastructure planning, ensuring that roads, waste and 3 waters are able to cope with peak activity.

Usually Resident Population   Total Visitors

123,249
PEAK DAY
2019

156,147
PEAK DAY
2028

Our Vision | Tō Tātou Moemoeā



OUR COMMUNITY OUTCOMES

COMMUNITY SERVICES & FACILITIES

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

INFRASTRUCTURE AND WASTE MANAGEMENT

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

ENVIRONMENT

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

ECONOMY

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

REGULATORY FUNCTIONS & SERVICES

- A responsive organisation

FINANCE & SUPPORT SERVICES

- An organisation that consults effectively and makes sound decisions

LOCAL DEMOCRACY

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

Our Process | Tō Tātou Huanui

OUR PLANNING PROCESS

There is a robust planning process required by the Local Government Act 2002 (part 6). This model outlines the four parts of this process.

REVIEWED EVERY THREE YEARS

> The Ten Year Plan sets the direction of the Council, providing a long term focus on our community outcomes, and explaining the purpose, direction and cost of each of our activities.

COMPLETED IN EACH OF THE TWO YEARS BETWEEN THE TEN YEAR PLAN

> What the Council plans to do in the next 12 months to achieve the direction set in the Ten Year Plan.

REVIEWED EVERY THREE YEARS

> Outcomes that the Council aims to achieve in meeting the current and future needs of the community for quality infrastructure, public services and the performance of regulatory functions.

PRODUCED EVERY YEAR

> Reports back to the community on whether the Council has done what it planned to do.

SECTION 3: FINANCIAL INFORMATION | WĀHAKA 3: PĀROKO AHUMONI

PROSPECTIVE STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020 ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	Operating revenue				
	Revenue from non-exchange transactions				
71,474	Targeted rates	81,919	78,378	3,541	Mainly increase in waste management charge due to new contract plus increase in operational grant for Destination Queenstown
2,722	General rates	2,438	3,004	(566)	
6,540	User charges - subsidised	6,831	6,787	44	
17,713	Grants and subsidies	33,986	37,814	(3,828)	Mainly due to deferral of transport capex
10,733	Vested assets	10,917	10,917	-	
16,239	Development contributions	19,422	19,422	-	
5,148	Other income	6,410	5,691	719	
1,256	Revaluation of investment property	262	1,284	(1,022)	Reclassification of campgrounds to PPE
	Revenue from exchange transactions				
30,141	User charges - full cost recovery	32,929	33,695	(766)	Reduction in waste user fees as now rate funded
4,958	Dividend income	5,404	5,404	-	
3,249	Other income - full cost recovery	3,517	3,254	263	
24,800	Other gains/(losses) - full cost recovery	-	7,153	(7,153)	Change in timing of property sales
194,973	**Total revenue**	**204,035**	**212,803**	**(8,768)**	
	Operating expenditure				
4,031	Local democracy	5,859	5,552	307	
31,601	Community services & facilities	37,352	36,919	433	
8,491	Economy	10,213	9,328	885	
16,531	Environmental management	16,289	14,995	1,294	Refer to operating expenditure by activity below
13,834	Regulatory functions & services	15,327	13,995	1,332	Refer to operating expenditure by activity below
21,531	Transport	22,485	23,051	(566)	Refer to operating expenditure by activity below
15,792	Wastewater	17,181	16,923	258	
10,110	Water supply	11,535	11,474	61	
3,863	Stormwater	4,812	4,358	454	
11,364	Waste management	13,056	12,119	937	Refer to operating expenditure by activity below
(178)	Finance & support services	(280)	(178)	(102)	
136,970	**Total operating expenditure ***	**153,829**	**148,536**	**5,293**	
58,003	**Operating surplus**	**50,206**	**64,267**	**(14,061)**	
	*** Operating expenditure includes:**				
25,148	Depreciation	26,519	26,674	(155)	
6,742	Interest	8,747	10,254	(1,507)	Lower than expected borrowings due to deferred capex

PROSPECTIVE STATEMENT OF OTHER COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
58,003	Operating surplus	50,206	64,267	(14,061)	Refer above comments
	Other comprehensive revenue and expense				
-	Gain/(loss) on revaluation	-	38,730	(38,730)	Change in timing of infrastructure valuation
-	Transfer from reserves	-	6,000	(6,000)	Change in timing of property sales
58,003	**Total comprehensive income**	**50,206**	**108,997**	**(58,791)**	

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
1,164,277	Forecast opening equity	1,267,009	1,222,280	44,729	Change in timing of infrastructure valuation
58,003	Total comprehensive revenue and expense	50,206	108,997	(58,791)	Refer above comments
1,222,280	**Forecast closing equity**	**1,317,215**	**1,331,277**	**(14,062)**	

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	Current assets				
336	Cash and cash equivalents	599	336	263	
15	Other financial assets	15	15	-	
9,435	Receivables from non-exchange transactions	9,435	9,435	-	
3,865	Receivables from exchange transactions	3,865	3,865	-	
797	Other current assets	797	797	-	
17,127	Development property	17,127	11,127	6,000	Change in timing of property sales
46	Inventories	46	46	-	
31,621	**Total current assets**	**31,884**	**25,621**	**6,263**	
	Non-current assets				
8,385	Investments	8,385	8,385	-	
58,345	Investment property	12,152	59,629	(47,477)	Reclassification of campgrounds to PPE
1,314,519	Property, plant and equipment	1,542,645	1,518,910	23,735	Net deferral of capital expenditure slightly offset by reclassification of campgrounds from investment property
1,381,249	**Total non-current assets**	**1,563,182**	**1,586,924**	**(23,742)**	
1,412,870	**Total assets**	**1,595,066**	**1,612,545**	**(17,479)**	
	Current liabilities				
23,924	Payables from exchange transactions	23,924	23,924	-	
8,548	Other current liabilities	21,994	8,548	13,446	Mainly income in advance for Wanaka airport lease
47,000	Borrowings	63,000	62,000	1,000	
79,472	**Total current liabilities**	**108,918**	**94,472**	**14,446**	
111,118	**Non-current liabilities**	**168,933**	**186,796**	**(17,863)**	Net deferral of capital expenditure
190,590	**Total liabilities**	**277,851**	**281,268**	**(3,417)**	
1,222,280	**Net assets**	**1,317,215**	**1,331,277**	**(14,062)**	
	Equity				
520,623	Revaluation reserve	565,614	560,636	4,978	Change in timing of property sales
12,830	Operating reserves	11,579	11,579	-	
39,991	Capital reserve	50,091	50,091	-	
648,836	Accumulated funds	689,931	708,971	(19,040)	Refer above comments
1,222,280	**Total equity**	**1,317,215**	**1,331,277**	**(14,062)**	

PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	Cash flows from operating activities				
153,228	Receipts from customers	187,714	188,045	(331)	
4,958	Dividends received	5,404	5,404	-	
	Cash was applied to:				
(105,081)	Payments to suppliers and employees	(118,564)	(111,608)	(6,956)	Increased operating costs per above
(6,742)	Finance costs paid	(8,747)	(10,254)	1,507	Lower than expected borrowings due to deferred capex
46,363	**Net cash inflow from operating activities**	**65,807**	**71,587**	**(5,780)**	
	Cash flows from investing activities				
24,800	Sale of development property	3,000	15,100	(12,100)	Change in timing of property sales
-	Proceeds from asset sales	-	-	-	
	Cash was applied to:				
(114,602)	Purchase of property, plant and equipment	(163,431)	(177,365)	13,934	Net deferral of capital expenditure
-	Purchase of intangible assets	-	-	-	
(89,802)	**Net cash outflow from investing activities**	**(160,431)**	**(162,265)**	**1,834**	
	Cash flows from financing activities				
91,438	Proceeds from borrowings	141,886	137,678	4,208	Includes refinancing of debt offset by deferral of capital expenditure
	Cash was applied to:				
(48,000)	Repayment of borrowings	(47,000)	(47,000)	-	
43,438	**Net cash inflow/(outflow) from financing activities**	**94,886**	**90,678**	**4,208**	
(1)	Net increase/(decrease) in cash and cash equivalents	262	-	262	
337	Forecast cash and cash equivalents at 1 July	337	336	1	
336	**Forecast cash and cash equivalents at 30 June**	**599**	**336**	**263**	
	Represented by:				
336	Cash and cash equivalents	599	336	263	
-	Bank overdraft	-	-	-	
336	**Total cash and cash equivalents**	**599**	**336**	**263**	

PROSPECTIVE OPERATING EXPENDITURE BY ACTIVITY ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	Local Democracy				
1,913	Governance	2,829	2,735	94	
1,379	Community Engagement	2,129	1,941	188	
433	Community Leadership	423	422	1	
306	Emergency Management	478	454	24	
4,031		**5,859**	**5,552**	**307**	
	Community Services & Facilities				
12,233	Community Facilities	12,846	12,654	192	
11,781	Active & Passive Recreation	13,478	12,747	731	Reflects revised Community Services & Facilities structure
243	Community Property	287	245	42	
1,334	Community Grants	1,437	1,356	81	
2,702	Libraries	2,451	2,888	(437)	Reflects revised Community Services & Facilities structure
280	Waterways Facilities	287	290	(3)	
202	Cemeteries	213	214	(1)	
1,716	Public Toilets	1,798	1,792	6	
756	Forestry	4,396	4,417	(21)	
354	Wanaka Airport	159	316	(157)	
31,601		**37,352**	**36,919**	**433**	
	Economy				
1,600	Property	1,638	1,523	115	
2,069	Economic Development	2,779	2,720	59	
4,822	Tourism Marketing	5,796	5,085	711	
8,491		**10,213**	**9,328**	**885**	
	Environmental Management				
6,210	District Plan	5,731	5,374	357	Increased cost of appeals
10,321	Resource Consents	10,558	9,621	937	Increased cost of appelas and overhead
16,531		**16,289**	**14,995**	**1,294**	
	Regulatory Functions & Services				
8,454	Building Consents	9,273	8,259	1,014	Increased cost of consent processing and overhead
5,380	Enforcement	6,054	5,736	318	
13,834		**15,327**	**13,995**	**1,332**	
	Transport				
20,004	Roading and Footpaths	21,142	21,009	133	
1,527	Parking Facilities	1,343	2,042	(699)	Reduction in interest cost due to capex deferral
21,531		**22,485**	**23,051**	**(566)**	
15,792	**Wastewater**	17,181	16,923	258	
10,110	**Water Supply**	11,535	11,474	61	
3,863	**Stormwater**	4,812	4,358	454	
11,364	**Waste Management**	13,056	12,119	937	Increase in disposal costs due to volume
(178)	**Finance & Support Services**	(280)	(178)	(102)	
136,970	**Total operating expenditure**	**153,829**	**148,536**	**5,293**	
25,148	Depreciation (included in above)	26,519	26,674	(155)	
6,742	Interest (included in above)	8,747	10,254	(1,507)	Reduction in interest cost due to capex deferral

PROSPECTIVE CAPITAL ASSET EXPENDITURE (INCLUDING VESTED ASSETS) BY ACTIVITY ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	Local Democracy				
-	Emergency Management	-	-	-	
-		**-**	**-**	**-**	
	Community Services & Facilities				
4,238	Community Facilities	6,851	5,441	1,410	Increase for Luggate Hall replacement
9,185	Active & Passive Recreation	11,695	11,696	(1)	
165	Community Property	156	156	-	
952	Libraries	1,625	1,475	150	
540	Waterways Facilities	20	20	-	
130	Cemeteries	-	-	-	
535	Public Toilets	356	356	-	
-	Wanaka Airport	-	-	-	
15,745		**20,703**	**19,144**	**1,559**	
	Economy				Deferral of Lakeview development from 18/19 to 19/20 following design completion in 18/19
2,920	Property	4,420	2,762	1,658	
-	Tourism Marketing	-	-	-	
2,920		**4,420**	**2,762**	**1,658**	
	Regulatory Functions & Services				
65	Enforcement	19	20	(1)	
65		**19**	**20**	**(1)**	
	Transport				Deferral of QTTCMP capex subject to funding offset by capex carry forwards from 18/19
28,773	Roading and Footpaths	57,768	64,228	(6,460)	
10,249	Parking Facilities	1,602	11,972	(10,370)	Deferral of capex for Queenstown parking
39,022		**59,370**	**76,200**	**(16,830)**	
18,345	**Wastewater**	16,691	23,430	(6,739)	Deferral of capex for Kingston HIF, Hawea connection to Project Pure and Project Shotover upgrade; offset by Willow Place upgrade
23,469	**Water Supply**	36,224	31,774	4,450	Increase due to capex programming in bundles
15,791	**Stormwater**	8,278	5,697	2,581	Increase due to capex programming in bundles
2,371	**Waste Management**	5,710	5,812	(102)	
7,606	**Finance & Support Services**	22,932	23,444	(512)	Capex brought forward to 18/19
125,334	**Total capital asset expenditure**	**174,347**	**188,283**	**(13,936)**	

PROSPECTIVE TOTAL CAPITAL EXPENDITURE (INCLUDING VESTED ASSETS AND DEBT REPAYMENT) BY ACTIVITY ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	Local Democracy				
-	Emergency Management	-	-	-	
-		**-**	**-**	**-**	
	Community Services & Facilities				
11,868	Community Facilities	8,227	6,639	1,588	Refer above comments
9,252	Active & Passive Recreation	11,762	11,763	(1)	
165	Community Property	156	156	-	
952	Libraries	1,625	1,475	150	
565	Waterways Facilities	120	120	-	
130	Cemeteries	-	-	-	
729	Public Toilets	550	550	-	
200	Wanaka Airport	50	200	(150)	
23,861		**22,490**	**20,903**	**1,587**	
-	**Economy**				
3,920	Property	8,420	8,762	(342)	
-	Tourism Marketing	-	-	-	
3,920		**8,420**	**8,762**	**(342)**	
-	**Environmental Management**				
1,551	District Plan	1,551	1,551	-	
1,551		**1,551**	**1,551**	**-**	
-	**Regulatory Functions & Services**				
88	Enforcement	42	43	(1)	
88		**42**	**43**	**(1)**	
-	**Transport**				
31,568	Roading and Footpaths	59,247	65,707	(6,460)	Refer above comments
11,249	Parking Facilities	2,252	12,622	(10,370)	Refer above comments
42,817		**61,499**	**78,329**	**(16,830)**	
20,965	**Wastewater**	17,871	25,875	(8,004)	Refer above comments
24,431	**Water Supply**	36,829	32,379	4,450	Refer above comments
18,354	**Stormwater**	9,885	7,584	2,301	Refer above comments
3,434	**Waste Management**	6,773	6,875	(102)	
8,950	**Finance & Support Services**	24,722	25,234	(512)	Refer above comments
148,371	**Total capital expenditure**	**190,082**	**207,535**	**(17,453)**	

PROSPECTIVE TOTAL CAPITAL EXPENDITURE (INCLUDING DEBT REPAYMENT) BY ACTIVITY ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	Local Democracy				
-	Emergency Management	-	-	-	
-		**-**	**-**	**-**	
	Community Services & Facilities				
11,868	Community Facilities	8,227	6,639	1,588	Refer above comments
9,252	Active & Passive Recreation	11,762	11,763	(1)	
165	Community Property	156	156	-	
952	Libraries	1,625	1,475	150	
565	Waterways Facilities	120	120	-	
130	Cemeteries	-	-	-	
729	Public Toilets	550	550	-	
200	Wanaka Airport	50	200	(150)	
23,861		**22,490**	**20,903**	**1,587**	
-	**Economy**				
3,920	Property	8,420	8,762	(342)	
-	Tourism Marketing	-	-	-	
3,920		**8,420**	**8,762**	**(342)**	
-	**Environmental Management**				
1,551	District Plan	1,551	1,551	-	
1,551		**1,551**	**1,551**	**-**	
-	**Regulatory Functions & Services**				
88	Enforcement	42	43	(1)	
88		**42**	**43**	**(1)**	
-	**Transport**				
31,568	Roading and Footpaths	59,247	65,707	(6,460)	Refer above comments
11,249	Parking Facilities	2,252	12,622	(10,370)	Refer above comments
42,817		**61,499**	**78,329**	**(16,830)**	
20,965	**Wastewater**	17,871	25,875	(8,004)	Refer above comments
24,431	**Water Supply**	36,829	32,379	4,450	Refer above comments
18,354	**Stormwater**	9,885	7,584	2,301	Refer above comments
3,434	**Waste Management**	6,773	6,875	(102)	
8,950	**Finance & Support Services**	24,722	25,234	(512)	Refer above comments
148,371	**Total capital expenditure**	**190,082**	**207,535**	**(17,453)**	

CAPITAL ASSET EXPENDITURE (GROWTH) BY ACTIVITY GROUP ($'000)

YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	YEAR PLAN 2019/20	Variance
-	Local Democracy	-	-	-
4,943	Community Services & Facilities	5,840	6,151	(311)
654	Economy	903	429	474
-	Environmental Management	-	-	-
-	Regulatory Functions & Services	-	-	-
12,081	Transport	18,890	27,885	(8,995)
8,760	Wastewater	7,566	11,707	(4,141)
11,529	Water Supply	19,799	18,484	1,315
13,869	Stormwater	5,081	4,458	623
620	Waste Management	1,801	1,801	-
121	Finance & Support Services	84	145	(61)
52,577	**Total capital asset expenditure (Growth)**	**59,964**	**71,060**	**(11,096)**

CAPITAL ASSET EXPENDITURE (RENEWAL) BY ACTIVITY GROUP ($'000)

YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	YEAR PLAN 2019/20	Variance
-	Local Democracy	-	-	-
5,876	Community Services & Facilities	7,894	4,746	3,148
49	Economy	50	50	-
-	Environmental Management	-	-	-
-	Regulatory Functions & Services	15	15	-
12,999	Transport	19,916	16,146	3,770
1,470	Wastewater	2,420	1,079	1,341
3,462	Water Supply	4,973	4,798	175
539	Stormwater	548	548	-
481	Waste Management	1,355	1,355	-
1,287	Finance & Support Services	742	1,102	(360)
26,163	**Total capital asset expenditure (Renewal)**	**37,913**	**29,839**	**8,074**

CAPITAL ASSET EXPENDITURE (OTHER) BY ACTIVITY GROUP ($'000)

YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	YEAR PLAN 2019/20	Variance
-	Local Democracy	-	-	-
4,926	Community Services & Facilities	6,969	8,247	(1,278)
2,217	Economy	3,467	2,283	1,184
-	Environmental Management	-	-	-
65	Regulatory Functions & Services	4	5	(1)
13,942	Transport	20,564	32,169	(11,605)
8,115	Wastewater	6,705	10,644	(3,939)
8,478	Water Supply	11,452	8,492	2,960
1,383	Stormwater	2,649	691	1,958
1,270	Waste Management	2,554	2,656	(102)
6,198	Finance & Support Services	22,106	22,197	(91)
46,594	**Total capital asset expenditure (Other)**	**76,470**	**87,384**	**(10,914)**
125,334	**Total capital asset expenditure**	**174,347**	**188,283**	**(13,936)**

CAPITAL DEBT REPAYMENT EXPENDITURE BY ACTIVITY GROUP ($'000)

YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	YEAR PLAN 2019/20	Variance
-	Local Democracy	-	-	-
8,116	Community Services & Facilities	1,787	1,759	28
1,000	Economy	4,000	6,000	(2,000)
1,551	Environmental Management	1,551	1,551	-
23	Regulatory Functions & Services	23	23	-
3,795	Transport	2,129	2,129	-
2,620	Wastewater	1,180	2,445	(1,265)
962	Water Supply	605	605	-
2,563	Stormwater	1,607	1,887	(280)
1,063	Waste Management	1,063	1,063	-
1,344	Finance & Support Services	1,790	1,790	-
23,037	**Total capital debt repayment expenditure**	**15,735**	**19,252**	**(3,517)**

STATEMENT OF RESERVE FUNDS ($'000)

Reserve fund - Purpose of the fund	Opening Balance 2019/20	Deposits	Withdrawals	Closing Balance 2019/20
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 of Roading, Water Supply, Sewerage, Stormwater, Reserve Land and Improvements and Community Facilities.	12,830	19,422	(20,673)	11,579
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.	19,216	21,332	(14,232)	26,316
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.	16,286	3,000	-	19,286
Arrowtown endowment land reserve Proceeds from asset 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	5,404	(5,404)	212
Transport improvement fund Funds set aside to subsidise public transport and the development of public transport infrastructure.	324	-	-	324
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 constiution.	3,196	-	-	3,196
Total Reserve Funds	**52,821**	**49,158**	**(40,309)**	**61,670**

Statement of Accounting Policies | Te Tauākī o te Mahi Kaute

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 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 Council has elected not to consolidate the CCOs for the purposes of the prospective financial information contained in this Annual Plan in accordance with the Local Government Act 2002.

The prospective financial statements have been prepared in accordance with Section 111 of the Local Government Act 2002, the Financial Reporting Act 1993 and generally accepted accounting practice. The prospective financial statements comply with Public Benefit Entity (PBE) Standards for Tier 1 entities. The Council has complied with PBE FRS42 in the preparation of these prospective financial statements.

The prospective financial information contained in this Annual Plan relates to the Queenstown Lakes District Council only as the controlling entity of the economic entity. The Council has not presented prospective financial statements for the economic entity because the Council believes that the controlling entity prospective financial statements are more relevant to users. The main purpose of prospective financial statements in the Annual Plan is to provide users with information about the core services that the Council intends to provide ratepayers, the expected cost of those services and as a consequence how much the Council requires by way of rates to fund the intended levels of service.

The level of rate funding required is not affected by controlled entities except to the extent that the Council obtains distributions from those controlled entities. Distributions from the Council's controlled entity, Queenstown Airport Corporation Ltd, are included in the prospective financial statements of the Council.

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 as a public benefit entity ("PBE") for the purposes of complying with generally accepted accounting practice.

Basis of Preparation

The prospective financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the year. The prospective 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 prospective 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 prospective financial statements of the Council comply with Public Benefit Entity (PBE) Standards.

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

PRESENTATION CURRENCY AND ROUNDING

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

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 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 recognises 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 (for example, resource consents, building consents, waste management and car parking) 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 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 has 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 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 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 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 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 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 Statement of Financial Position when the Council 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 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 does not hold any financial assets in this category.

Available-for-Sale Financial Assets

Equity investments held by the Council 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 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 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 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 Council enters into certain derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

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.

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 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 uses a variety of methods and makes assumptions that are based on market conditions existing as at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held.

Embedded Derivatives

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

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 has 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.

Campground Assets

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

Infrastructural 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

Airport Assets

> Council owned land for Wanaka Airport which is leased to QAC and listed as a strategic asset in the Significance and Engagement Policy.

(I) COST

Operational assets 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.

Infrastructural assets, land, buildings and runways acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

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

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

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.

Airport Land

Airport land for Wanaka Airport leased by QAC is stated at fair value using market based evidence as at 30 June 2018 by Jones Long LaSalle Limited, registered valuers.

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.

(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.

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

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

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

INFRASTRUCTURAL ASSETS	Rate (%)	Method
Sewerage	1.67% - 10%	SL
Water supply	1.67% - 10%	SL
Stormwater	1.67% - 10%	SL
Roading	1% - 10%	SL

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.

Finite Life Intangible Assets

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

Intangible Assets

Acquired 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, 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 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 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 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 invests in as part of day to day cash management.

Operating activities include cash received from all income sources of the Council 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.

Equity

Equity is the community's interest in the Council 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.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the Council 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 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 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 42, 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 prospective financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural Assets

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

> the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, sewerage and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;

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

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

Provision for Legal Claims against Council

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

Financial Reporting and Prudence Disclosure Statement for year ending 30 June 2020 | Te Tauāki Whākika o te Mahere ā-tau

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose the Council's planned 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 plan 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.

BENCHMARK	LIMIT	PLANNED	MET
Rates affordability benchmark			
• income	55% of total revenue	41.3%	Yes
• increases	10.8%	13.7%	No*
Debt affordability benchmark			Yes
• Net Debt/Total Revenue	250%	133.7%	
• Interest/Total Rates	30%	10.4%	
• Interest/Total Revenue	20%	5.0%	
Balanced budget benchmark	100%	113%	Yes
Essential services benchmark	100%	455%	Yes
Debt servicing benchmark	15%	5.0%	Yes

NOTES

RATES AFFORDABILITY BENCHMARK

For this benchmark,—

(a) the Council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan; and

(b) the Council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the Council's long-term plan.

The Council meets the rates affordability benchmark if—

(a) its planned rates income for the year equals or is less than each quantified limit on rates;

(b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

* The proposed rates increase for 2019/20 is higher than the benchmark set. This is due primarily to a change in the way Council will deliver waste management services from 1 July 2019, and also the request from Destination Queenstown to increase their operational grant by 25%.

DEBT AFFORDABILITY BENCHMARK

For this benchmark, the Council's planned borrowing is compared with quantified limits on borrowing contained in the financial strategy included in the Council's long-term plan.

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

BALANCED BUDGET BENCHMARK

For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

ESSENTIAL SERVICES BENCHMARK

For this benchmark, the council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

DEBT SERVICING BENCHMARK

For this benchmark, the Council's planned borrowing costs are presented as a proportion of planned 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 that the Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.

Funding Impact Statement | Te Tauākī o te Kawekawe Pūtea

FUNDING IMPACT STATEMENT - WHOLE COUNCIL ($'000)

YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	YEAR PLAN 2019/20	Variance	Explanation
	Sources of operating funding				
3,622	General rates, uniform annual general charges, rates penalties	3,338	3,604	(266)	
71,474	Targeted rates	81,919	78,378	3,541	Mainly increase in waste management charge due to new contract plus increase in operational grant for Destination Queenstown
36,681	Fees and charges	39,760	40,482	(722)	Reduction in waste user fees as now rate funded
4,897	Subsidies & grants for operating purposes	5,649	5,368	281	
4,958	Interest and dividends from investments	5,404	5,404	-	
7,497	Fuel tax, fines, infringement fees & other receipts	9,027	8,345	682	
129,129	**Total sources of operating funding**	**145,097**	**141,581**	**3,516**	
	Applications of operating funding				
105,080	Payments to staff and suppliers	118,563	111,608	6,955	Increased operating costs
6,742	Finance costs	8,747	10,254	(1,507)	Lower than expected borrowings due to deferred capex
-	Other operating funding applications	-	-	-	
111,822	**Total applications of operating funding**	**127,310**	**121,862**	**5,448**	
17,307	**Surplus/(deficit) of operating funding**	**17,787**	**19,719**	**(1,932)**	
	Sources of capital funding				
12,816	Subsidies & grants for capital expenditure	28,337	32,446	(4,109)	Refer to comments on capital expenditure by activity
16,239	Development & financial contributions	19,422	19,422	-	
24,800	Gross proceeds from sale of assets	3,000	7,153	(4,153)	Change in timing of property sales
43,438	Increase/(decrease) in debt	94,886	90,678	4,208	Includes refinancing of debt offset by deferral of capital expenditure
-	Lump sum contributions	-	-	-	
-	Other dedicated capital funding	-	-	-	
97,293	**Total sources of capital funding**	**145,645**	**149,699**	**(4,054)**	
	Applications of capital funding				
	Capital expenditure				
41,844	- to meet additional demand	49,047	60,143	(11,096)	Refer to comments on capital expenditure by activity
26,163	- to replace existing assets	37,913	29,839	8,074	Refer to comments on capital expenditure by activity
46,594	- to improve the level of service	76,470	87,384	(10,914)	Refer to comments on capital expenditure by activity
(1)	Increase/(decrease) in reserves	2	(7,948)	7,950	
-	Increase/(decrease) of investments	-	-	-	
114,600	**Total applications of capital funding**	**163,432**	**169,418**	**(5,986)**	
(17,307)	**Surplus/(deficit) of capital funding**	**(17,787)**	**(19,719)**	**1,932**	
-	**Funding balance**	**-**	**-**	**-**	

RECONCILIATION OF FUNDING IMPACT STATEMENT TO PROSPECTIVE STATEMENT OF FINANCIAL PERFORMANCE ($'000)

TEN YEAR PLAN 2018/19		ANNUAL PLAN 2019/20	TEN YEAR PLAN 2019/20	Variance	Explanation
	INCOME				
	Statement of Financial Peformance				
194,973	**Total operating income**	**204,035**	**212,803**	**(8,768)**	
	Funding Impact Statement				
129,129	Total sources of operating funding	145,097	141,581	3,516	Refer above
	Plus sources of capital funding:				
12,816	Subsidies & grants for capital expenditure	28,337	32,446	(4,109)	Refer to comments on capital expenditure by activity
16,239	Development & financial contributions	19,422	19,422	-	
24,800	Gross proceeds from sale of assets	3,000	7,153	(4,153)	Change in timing of property sales
-	Less cost of property sales	(3,000)	-	(3,000)	Deferred settlement date
	Plus non-cash items:				
10,733	Vested assets	10,917	10,917	-	
1,256	Revaluation - non-current assets	262	1,284	(1,022)	Reclassification of campgrounds to PPE
194,973	**Total income**	**204,035**	**212,803**	**(8,768)**	
	EXPENDITURE				
	Statement of Financial Peformance				
136,970	**Total operating expenditure**	**153,829**	**148,536**	**5,293**	
	Funding Impact Statement				
111,822	Total applications of operating funding	127,310	121,862	5,448	Refer above
	Plus non-cash items:				
25,148	Depreciation	26,519	26,674	(155)	
136,970	**Total expenditure**	**153,829**	**148,536**	**5,293**	

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