




QUEENSTOWN LAKES DISTRICT COUNCIL

2012/13

Queenstown Lakes District Council

Annual Report

Contents Page

Introduction

The last financial year marked the beginning of significant change for our Council. We commenced an organisational review that included our council controlled organisations - Lakes Environmental and Lakes Leisure. Widespread changes from that review, including decisions to wind up both CCO's and bring their operations back within Council, has resulted in operational improvements and financial savings. Some of the savings are already reflected in this Annual Report and they will increase over the coming financial year.

The changes coincided with important amendments to the Local Government Act, including redefined purposes of local authorities. There is a strong imperative on focusing on core local activities and ensuring they are delivered in the most efficient and effective manner. In this regard we have continued to deliver some impressive outcomes.

Debt levels are being carefully managed and capital expenditure projects are being prioritised. We still have a strong commitment to our infrastructure but the projects will only commence when there is a clear operational need and they are being continually assessed for further project savings.

The culmination of our drive for efficiency resulted in a 2013/14 Annual Plan which delivered a zero rate increase and a reduction of forecasted external debt – a $21 million improvement on forecast. Although this is a significant achievement, we can and will do better. Council's elected members have a clear expectation that we will continue to make savings across all of our operations, without compromising services.

While financial achievements are important, it is particularly rewarding that they have also been translated into a significant increase in satisfaction by our residents. The 2013 Annual Residents' and Ratepayers Survey is one of the best results we've seen in more than a decade, and it underscores the importance of delivering cost-savings to the benefits of the community while maintaining good "value for money" services.

Operational highlights at a glance

- **0% increase in rates from improved financial management in 2013/14;**
- **6.2% increase in overall public satisfaction with the Council (to 85%);**
- **Reduction of approximately 40 staff (full-time equivalent)**
- **$330k reduction in annual accommodation costs as a result of office rationalisation;**
- **Full integration of two CCO's into QLDC with consequential governance and back-office savings;**
- **2% reduction in average water demand (8% reduction in peak demand) and 7% reduction in leakage across the District;**
- **A new, streamlined management structure**
- **Significant across-the-board reductions of overdue Requests for Services**

Key issues

Key issues highlighted in the 2012-22 10-Year Plan are:

Events Funding - The Council resolved to implement an Events Strategy aimed at supporting events that either help drive economic growth in the District or are important community events. The Events Fund is divided into three categories: Commercial Events; Major Community Events; and Local Events.

Wanaka Sports Facility - Council's commitment to this project is unchanged and it is scheduled for completion in the first half of 2016. A design peer review of the proposed centre has been completed and an external project manager appointed to drive the remaining stages of the project. The $16.7 million development in Wanaka is one of the most significant projects in our ten-year plan, with the first stage including indoor courts, tennis courts, and two sports fields. Further stages include the development of an aquatic facility and expansion of the indoor courts.

Convention Centre Proposal- A major international convention centre has the potential to be an important catalyst for economic growth in the District. This financial year saw a preferred consortium for negotiation identified following an RFP, and in August/September 2013 the Council concluded a public consultation process with a resolution to lead the development of a convention centre proposal at the Lakeview site as part of an integrated development model at that site, subject to conditions.

Memorial Hall Upgrade - The $992,000 refurbishment of the Memorial Hall (subsequently renamed the Memorial Centre) was completed on time and within budget by March 2013.

Water Demand Management - The Council has continued to focus on Water Demand Management with flow meters installed at Queenstown Events Centre and Queenstown Airport. In addition, the meters installed at Luggate continue to be read every quarter to understand the supply and demand needs of a small community within the district.

The aim of this work is to achieve significantly lower water consumption, particularly in areas where maximum capacity is near to being reached, and thereby defer multi-million dollar capital expenditure in replacement infrastructure. Central to achieving this is the need to avoid unnecessary wastage along with avoiding use at times of peak demand.

Wanaka Algae - The Council continues to monitor problems associated with algae in the Wanaka water supply and as a result installed a new backwash valve at the western water intake. Point of use treatment, where households opt to install a 'pre-filter' at the street boundary, is proving to be an effective treatment.

Project Shotover - Project Shotover is a $35.9 million upgrade of the Wakatipu wastewater treatment system. It will be staged with the cost spread across the next 13 years. A $2.6 million contract has been awarded for the construction of Inlet Works, which will improve the initial screening process at the treatment facility. The next stage involves the construction of a treatment plant for purifying and removing solids at the site of the current treatment ponds, adjacent to the Shotover Bridge.

Event Centre Extension - Progress towards extension of the Event Centre was placed on hold following a review of proposed capital works. The project is now planned for 2016/17.

Financial Affordability - See Page 4 for detailed report back on Council's Financial Stategy.

Conclusion

Previous Annual Reports have highlighted that our single biggest challenge was the delivery of an affordable Ten Year Plan in 2012. As the summary of our financial performance below demonstrates, this has now been achieved and external debt levels have reduced significantly. QLDC is leading the way in adapting to the Local Government Act reforms by providing good quality local infrastructure, with services and regulatory services that are efficient, effective and have regard to the needs of current and future generations.

While we have achieved good results and our communities have given us a positive indication that we are delivering to their expected standards, there is more to do. The 2013 local body election will deliver a new council with new expectations while still ensuring major projects, such as Wanaka Sports Facility and a Convention Centre for Queenstown, are delivered.

Throughout what has been an eventful year, I would like to thank our elected representatives in both Council and the Wanaka Community Board who have made a very significant contribution to the community and driven an agenda for continual improvement. Their work is arduous, challenging and sometimes thankless but both the Council and the Community Board can reflect on achievements over the last triennium with pride.

I also want to thank all the staff of Council; Lakes Environmental and Lakes Leisure who have heard the Council's messages for change, improvement and greater responsiveness to public expectations. You have risen to these challenges while maintaining the integrity of day to day public services.

Finally, I would like to thank everyone in the community who, whether formally or informally, takes time to give feedback and to participate in consultation and engagement. Your voices are always heard and help the Council to make better decisions.

Adam Feeley

Chief Executive
Queenstown Lakes District Council

QLDC Financial Result 2012/2013

The Council alone recorded a surplus of $11.4 million for the year. This is down from the $14.7 million surplus recorded last year and against the budget of $17.9 million. The main reasons for the lower surplus are related to the following unbudgeted accounting adjustments which total $6.5 million:

1. There is $4.1 million of project expenditure that was classified as capital expenditure within the budget but has been charged as an operating expense for the year. This is not an over-spend as there is budget provided to cover it. This includes $3.6 million of expenditure previously sitting in capital work in progress that relates to projects that will now not proceed.
2. The surplus includes $3.8 million of unrealised losses pertaining to the annual revaluation of investment property. This follows a 2012 value reduction of $4.3 million.
3. There is a $1.8 million of impairment (loss of value) relating to the council's investment in Lakes Environmental as a result of the decision to disestablish the company.
4. There is a $3.2 million gain as a result of the transfer of net assets from Lakes Leisure at disestablishment.

Before the adjustments (1 to 4) above, operating expenditure was $3.5 million (4.4%) under budget for the year ended 30 June 2013. This is very pleasing and means that we were able to deliver savings from an operating perspective. The material items that contributed to this variance:

- Interest expense for the year is $1.5 million less than budget. This is a result of the deferral of some capital works and lower than expected interest rates.
- Staff related costs for the year are $0.3 million lower than budget. This is a result of fewer staff being employed and modest increases to remuneration for the year. Further, significant, savings will occur in 2013/14 as the changes from the organisational review take effect.
- Depreciation expense for the year is $1.1 million lower than budget. This is a non-cash item and relates primarily to the timing of project expenditure and lower than anticipated levels of vested assets.
- The balance of the positive variance of $0.6 million relates primarily to reduced maintenance and operational costs for utilities, roading and community services.

Operating revenues were below budget by 5.1% for the year ended 30 June, 2013. This was below estimate by $5.1 million. The following major items (all relating to capital expenditure) contributed to this variance:

- Vested Assets were $6.7 million below budget for the year; this a non-cash item and relates to the value of assets transferred to Council via the subdivision process.
- Roading subsidy was $2.2 million under budget for the year, mainly as a result of reduced roading capital expenditure due to the timing and deferral of some projects.
- Grants were $3.2 million ahead of budget for the year, mainly as a result of external contributions to the Memorial Hall upgrade and purchase of the Pisa Snow farm.
- Development contribution income was below budget by $1.1 million for the year principally because of lower than expected development activity.

Capital expenditure was below estimate by $16.1 million for the year ended 30 June 2013. The following major items contributed to this variance:

- Vested Assets were $6.7 million below budget for the year.
- There is $4.4 million of project expenditure within the water supply activity which has been delayed or deferred. These projects include Leary's Gully Pump station ($0.65 million); UV treatment at Queenstown in-takes ($0.68 million); upgrades to Hawea scheme ($0.64 million), as well as the upgrade to the SCADA system (electronic monitoring) and various water demand projects.

- There is $3.6 million of project expenditure within the roading activity which has been delayed or deferred. This includes the Frankton Flats arterial road ($3.5 million) and various upgrades and rehabilitation projects incomplete at year end: Cardrona; Arthurs Point; and Ardmore/Brownston Streets.
- There is also $1.2 million of project expenditure within the Stormwater activity which has been delayed or deferred. Most of the budget is for the Glenda Drive interceptor ($0.62 million) was not spent and has been carried forward.
- There is also $0.95 million of project expenditure within the overhead activity which has been delayed or deferred. This mainly relates to the timing of the new enterprise system project ($0.6 million) and office alterations ($0.38 million), both of which have been carried forward to 2013/14.

Borrowings are $21 million below forecast; this positive variance relates mainly to the deferral and savings associated with capital projects (see below).

Financial Strategy

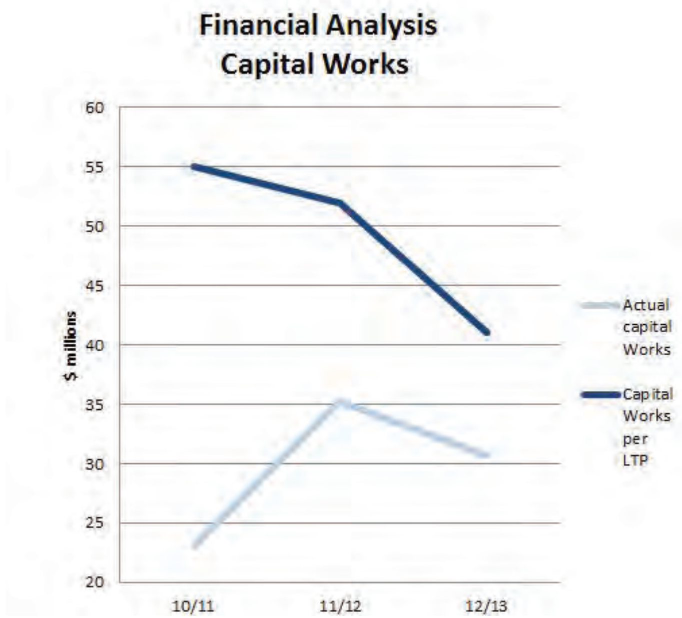
The Financial Strategy was a new requirement for the 2012 10-Year Plan. It must show prudent financial management by our Council and act as a guide when we make big funding decisions. It also outlines how the Council will tell the story about projects so that the community can understand the implication of big decisions on things like rates, debt and investments. The strategy is contained in full in Volume 3 (pp 9-16) of the 2012 10-Year Plan www.qldc.govt.nz

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

- Prioritised Capital Programme – delivering the 'right' projects at the optimum time.
- Rates increases set at a maximum of 4% per annum (subject to changes in growth or increased levels of service).
- Debt levels maintained at prudent levels (within Borrowing Limits).
- Debt levels at the end of the 10 year period have stabilised and sufficient head-room exists to provide financial flexibility for future Councils.
- To continue to provide excellent service within financial constraints.

Reporting Back on Financial Strategy

Capital Programme



The graph above shows that the actual spend on capital projects has been consistently less than the programmes forecast in the Annual Plan or 10-Year Plan over the past 3 years. This is the result of consistent re-prioritisation of projects, so that capital expenditure is not committed until it is absolutely necessary. This has meant that several projects have been deferred or staged including Project Shotover.

Rates

Rates Increases - Actual & Forecast (after allowing for Growth)		
	Actual	LTP Forecast
2012/2013	2.78%	2.70%
2013/2014	0.00%	2.25%
2014/2015		2.77%
2015/2016		5.70%
2016/2017		5.36%

The table above shows the actual rates increases over the past 2 years compared to the increases forecasted in the 10-Year Plan. The total rates for 2013/14 are $56.6m compared to the forecasted amount of $58.4m. This represents a saving of $1.79m.

The larger increases for 2015/16 and 2016/17 reflect the impact of major new facilities including Project Shotover in Queenstown and the Wanaka Sports Facility. Both of these projects represent significant increases to current levels of service and consequently increased costs. Council will separately consult on the rating impact of these new facilities as part of the Annual Plan 2014 process.

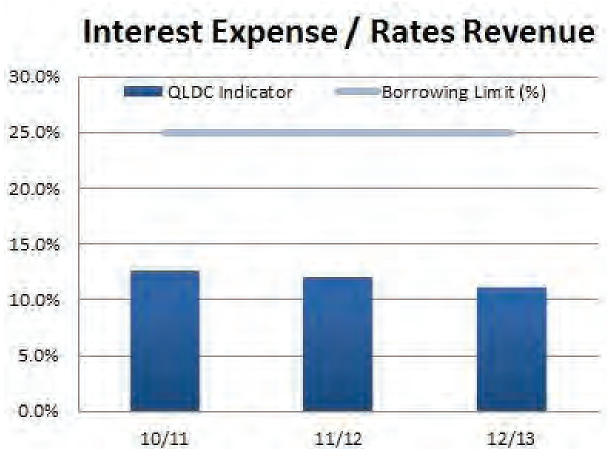
Debt Levels

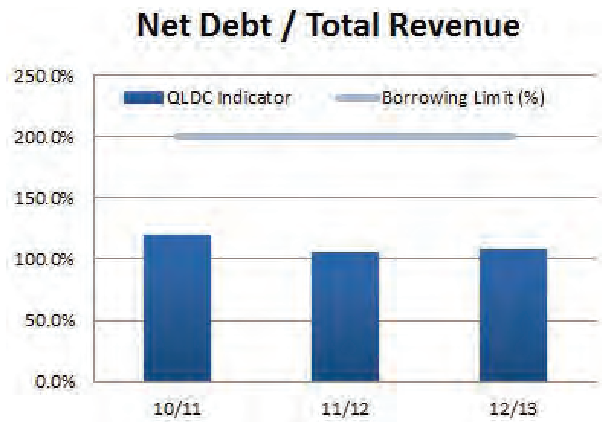
In order to deliver the large capital programme included in the 10-Year Plan, Council will need to rely on borrowing. Council has spent a considerable amount of time and effort working through the capital programme to ensure it is affordable and deliverable. The actual external debt at 30 June 2013 was $107m; this is $21m less than the amount forecast in the 10-Year Plan.

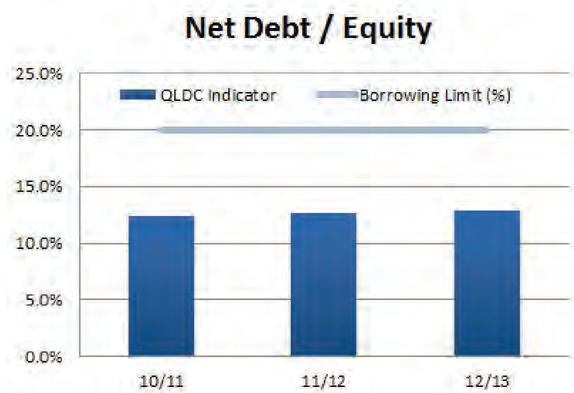
The actual and proposed levels of debt are now within all of the Council's self-imposed borrowing limits:

Borrowing Limits (%)	Actual **2010/11**	Actual **2011/12**	Actual **2012/13**	Forecast **2012/13**
Interest Expense / Rates < 25%	12.6%	12.1%	11.1%	13.8%
Interest Expense / Total Revenue < 15%	7.9%	6.7%	6.4%	7.7%
Net Debt / Total Revenue < 200%	120.2%	105.9%	110.1%	128.0%
Net Debt / Equity < 20%	12.3%	12.7%	13.0%	15.3%

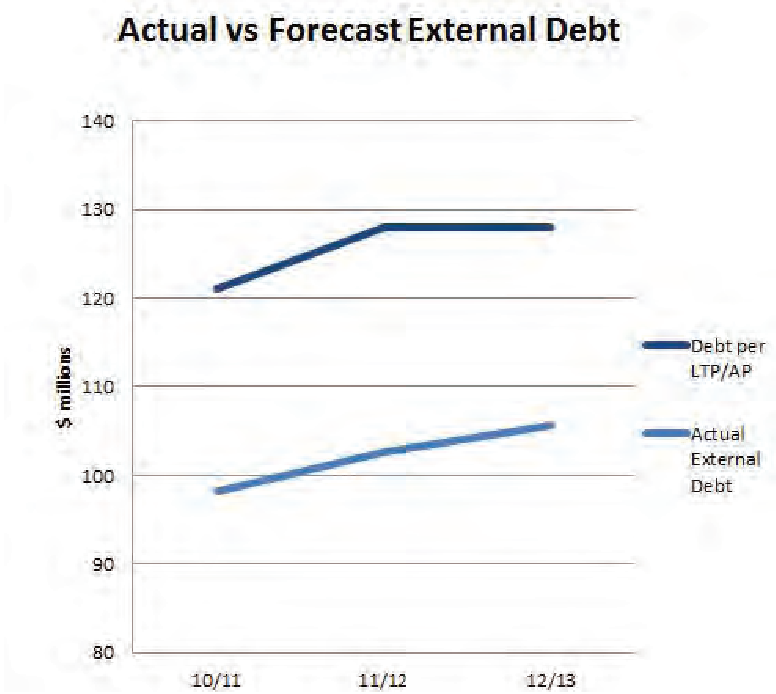
These ratios are presented in the graphs below:







The following graph shows the forecasted debt levels compared to actual debt levels up to 2012/13. As can be seen, actual debt levels are significantly reduced. The total debt as at 30 June 2013 is $107m, which is $21m less than forecast in the 10-Year Plan.



This is due to reduced capital spending as explained above and also to increased debt repayments.

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

Capital Works 2012/13

Notable infrastructure projects that have been completed during the 2012/13 financial year:

Project	Cost at Year End 2013 ($)
Athol Street, Earl Street and Marine Parade pavement rehabilitation	712,047
McMillan Road pavement rehabilitation	606,532
Arthurs Point Road pavement rehabilitation	1,553,674
Cardrona Valley Road pavement rehabilitation	845,952
Crown Range Road pavement rehabilitation	1,200,501
Re-sealing programme	4,098,286
Otta-sealing programme	462,912
Kawarau Bridge control valve installation	52,810
Installation of Andrews Road rider main	65,035
Installation of water main from Two Mile PS to Fernhill roundabout	307,335
Water link Goldfield to Queenstown Hill	85,525
Installation of bulk flow meters in Arrowtown	69,020
Luggate water supply Investigation	111,033
Hawea Wastewater Resource Consent and Treatment Upgrade	479,899
Studholme Road overland swale	69,878
Installation of Beacon Point generator for water intake	96,516
Renewal of Beacon Point water intake pumps	59,880

Carry-forward projects scheduled for completion by December 2013 are (approved by Council on 13 Aug 2013):

- Panorama Terrace pavement rehabilitation
- McChesney Road pavement rehabilitation
- Frankton Flats stormwater outlet
- Frankton Beach wastewater pump station upgrade
- Frankton Road water pump station upgrade
- Ardmore/Brownston intersection improvements (roundabout)
- Upper Ardmore pedestrian connectivity upgrades and Lakeside roundabout project
- Crown Range land instability works
- Cardrona power undergrounding and traffic calming
- Wanaka chlorine upgrades (completed mid- July)
- Hawea wastewater land treatment irrigation

Fact File

Area: 8467 square kilometres

Rateable properties: 22,300

Resident population 2013: 28,224*

as at 30 June 2103

*This figure was obtained from the 2013 Census. Figures from the 2013 Census are released progressively and futher statistics will be available in our Annual Plan as well as the 10 Year Plan.

Mayor
Vanessa van Uden

Deputy Mayor
Lyal Cocks

Councillors

Arrowtown Ward
Lex Perkins

Wakatipu Ward
Russell Mawhinney
Simon Stamers-Smith
Cath Gilmour
Trevor Tattersfield
John Mann
Mel Gazzard

Wanaka Ward
Jude Battson
Lyal Cocks
Leigh Overton

Wanaka Community Board
Lyal Cocks (Chairperson)
Jude Battson
Dick Kane
Ken Copland (deceased)
Leigh Overton
Bryan Lloyd
Mike O'Connor

Council Committees

Finance and Corporate Committee
Community Services Committee
Strategy Committee
Infrastructure Services Committee

Delegated Responsibilities as at 30 June 2013

Chief Executive
Adam Feeley

Deputy CEO / General Manager Finance
Stewart Burns

General Manager
Policy and Planning
Philip Pannett

General Manager
Community Services
Paul Wilson

General Manager
Infrastructure Services
Erik Barnes

General Manager
Regulatory and Corporate Services
Roger Taylor

Chief Information Officer
Kirsty Martin

Communications Manager
Meaghan Miller

Human Resources Manager
Vacant

Regulatory / Resource Management
Services
Lakes Environmental Ltd
(disestablished 30 June 2013)

Facilities Management Services
Lakes Leisure Ltd
(disestablished 30 June 2013)

Council Offices

Civic Centre
10 Gorge Road
Private Bag 50072
Queenstown

Phone: 03 441 0499
Fax: 03 450 2223
Email: services@qldc.govt.nz
Website: www.qldc.govt.nz

Service Centres

Arrowtown Library
58 Buckingham Street
Arrowtown
Phone: 03 442 1607

Wanaka Office
47 Ardmore Street
Wanaka
Phone: 03 443 0024
Fax: 03 443 8826

Queenstown Airport Corporation Limited

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

Auditors

Deloitte on behalf of the Auditor General
Dunedin

Bankers

Bank of New Zealand
Queenstown

Solicitors

MacTodd
Queenstown

Simpson Grierson
Wellington

Heaney and Partners
Auckland

Sister Cities

Aspen, Colorado, USA (Queenstown)
Hikimi, Shimane, Japan (Wanaka)

Role of the Council

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

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

Council Operations

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

Council Committees

Council has four standing committees to monitor and assist in the effective delivery of Council's specific responsibilities. Council's standing committees include:

- Finance and Corporate Accountability.
- Infrastructure Services.
- Strategy.
- Community Services.

Each committee is responsible for providing additional assurance on the integrity of information being presented and the operation of the activity. In 2007, the Council resolved to disband the Regulatory committee. Its responsibilities have been delegated to the other standing committees.

A number of sub-committees deal with specific functions and activities. These sub-committees report directly to the relevant standing committee.

The Wanaka Community Board is Councils only Community Board.

Division of Responsibility between Council and Management

Key to the efficient running of the Queenstown Lakes District Council is the clear division between the role of Council and that of management. Council concentrates on setting policy and strategy, while management is concerned with implementing policy and strategy and monitoring these approaches.

While many of the Councils functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Council. Internal control includes the policies, systems and procedures established to provide measurable assurance that specific objectives of the Council will be achieved. Both Council and management have indicated their responsibility with their signing of the Statement of Compliance and Responsibility on page 13 of this report.

Audit

External auditors are used by Council to evaluate the quality and reliability of financial information reported by Council in the Annual Report.

Risk Management

Council is working closely with external risk consultants to develop processes and systems that reduce its exposure to risk.

Legislative Compliance

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

Compliance

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

Responsibility

The Council and management of Queenstown Lakes District Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The Council and management of Queenstown Lakes District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of Queenstown Lakes District Council, the annual Financial Statements for the year ended 30 June 2013 fairly reflect the financial position and operations of Queenstown Lakes District Council.

Vanessa van Uden
Mayor
8 October 2013

Adam Feeley
Chief Executive
8 October 2013

For the Financial Year Ended 30 June 2013	Notes	Council 2013 $'000	Council Budget $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Income						
Rates revenue	2 (a)	55,775	56,035	53,490	55,516	53,263
Other revenue	2 (a)	39,170	44,068	43,494	64,466	65,407
Other gains/(losses)	2 (b)	1,133	-	(5,275)	(1,994)	(5,289)
Total income	2 (g)	96,078	100,103	91,709	117,988	113,381
Expenditure						
Employee benefits expense	2 (c)	8,388	8,685	7,933	18,073	17,191
Depreciation and amortisation expense	2 (d)	18,051	19,165	17,397	22,861	21,251
Finance costs	2 (e)	6,231	7,745	6,470	7,701	7,688
Other expenses	2 (f)	51,954	46,578	45,219	57,065	47,961
Total operating expenditure	2 (g)	84,624	82,173	77,019	105,700	94,091
Surplus/(Deficit) before income tax		11,454	17,930	14,690	12,288	19,290
Income tax expense	3	-	-	-	2,175	2,018
Surplus/(Deficit) for the period		11,454	17,930	14,690	10,113	17,272
Surplus/(Deficit) attributable to:						
- Council	20	11,454	17,930	14,690	8,718	15,982
- Non controlling interest	21	-	-	-	1,395	1,290
		11,454	17,930	14,690	10,113	17,272

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

	Council			Group	
	2013	Budget	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000	$'000
Surplus/(Deficit) for the period	11,454	17,930	14,690	10,113	17,272
Other Comprehensive Income May be reclassified subsequently to profit or loss when specific conditions are met					
Cash flow hedges	-	-	-	785	(1,164)
Income tax relating to other comprehensive income	-	-	-	(220)	326
Total Comprehensive Income	11,454	17,930	14,690	10,678	16,434
Attributable to:					
- Council	11,454	17,930	14,690	9,141	15,354
- Non controlling interest	-	-	-	1,537	1,080
	11,454	17,930	14,690	10,678	16,434

As at 30 June 2013	Notes	Council 2013 $'000	Council Budget $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Current assets						
Cash and cash equivalents	28	1,795	382	1,240	1,872	3,359
Trade and other receivables	6	9,403	8,489	9,876	11,123	11,731
Inventories		24	-	-	24	40
Current tax refundable	3	68	-	-	68	-
Other financial assets	7	12	13	12	12	19
Other current assets	8	871	348	890	908	926
Development Properties	9	292	292	292	292	292
Total current assets		12,465	9,524	12,310	14,299	16,367
Non-current assets						
Investment in subsidiaries	25	6,282	6,626	6,037	-	-
Other financial assets	7	1,136	-	540	1,136	540
Property, plant and equipment	10	866,733	899,234	848,254	1,016,083	1,000,306
Forestry assets	11	-	-	-	1,002	700
Intangible assets	12	656	-	452	3,078	5,662
Investment property	13	60,425	66,332	64,458	60,425	64,458
Total non-current assets		935,232	972,192	919,741	1,081,724	1,071,666
Total assets		947,697	981,716	932,051	1,096,023	1,088,033
Current liabilities						
Trade and other payables	14	12,317	11,958	13,146	14,116	17,016
Borrowings	15	45,683	19,214	70,068	45,683	70,068
Other financial liabilities	16	2,583	2,309	4,462	2,607	5,477
Employee entitlements	17	1,521	-	937	1,685	1,719
Finance lease liabilities	18	-	-	-	-	50
Payable to CCO's	25	118	-	-	-	-
Current tax payable	3 c	-	-	-	870	75
Total current liabilities		62,222	33,481	88,613	64,961	94,405

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

As at 30 June 2013	Notes	Council 2013 $'000	Council Budget $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Non-current liabilities						
Borrowings	15	61,245	108,879	32,606	81,858	54,928
Finance lease liabilities	18	-	-	-	-	86
Other financial liabilities	16	1,944	-	-	3,150	1,992
Deferred tax liabilities	3 (d)	-	-	-	6,366	6,716
Total non-current liabilities		63,189	108,879	32,606	91,374	63,722
Total liabilities		125,411	142,360	121,219	156,335	158,127
Net assets		822,286	839,356	810,832	939,688	929,906
Equity						
Reserves	19	325,246	327,139	326,213	399,838	400,381
Retained earnings	20	497,040	512,217	484,619	508,972	499,287
Total equity attributable to the Council		822,286	839,356	810,832	908,810	899,668
Non controlling interest	21	-	-	-	30,878	30,238
Total Equity		822,286	839,356	810,832	939,688	929,906

Mayor

8 October 2013

Vanessa van Uden

Chief Executive

8 October 2013

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

Council

Council as at 30 June 2013	Notes	Revaluation Reserves $'000	Operating Reserves $'000	Capital Reserves $'000	Hedging Reserve $'000	Retained Earnings $'000	Attributable to Equity Holders of Parent $'000	Non Controlling Interest $'000	TOTAL EQUITY $'000
Balance at 1 July 2012	19/20	303,726	13,822	8,665	-	484,619	810,832	-	810,832
Total Comprehensive Income for the year		-	-	-	-	11,454	11,454	-	11,454
Transfers from/(to) retained earnings	19/20	(3,940)	118	2,855	-	967	-	-	-
Balance at 30 June 2013		299,786	13,940	11,520	-	497,040	822,286	-	822,286
Council as at 30 June 2012									
Balance at 1 July 2011	19/20	308,103	13,875	13,055	-	461,109	796,142	-	796,142
Total Comprehensive Income for the year		-	-	-	-	14,690	14,690	-	14,690
Transfers from/(to) retained earnings	19/20	(4,377)	(53)	(4,390)	-	8,820	-	-	-
Balance at 30 June 2012		303,726	13,822	8,665	-	484,619	810,832	-	810,832

Group

Group as at 30 June 2013	Notes	Revaluation Reserves $'000	Operating Reserves $'000	Capital Reserves $'000	Hedging Reserve $'000	Retained Earnings $'000	Attributable to Equity Holders of Parent $'000	Non Controlling Interest $'000	TOTAL EQUITY $'000
Balance at 1 July 2012	19/20	378,714	13,822	8,665	(820)	499,287	899,668	30,238	929,906
Total Comprehensive Income for the year	19d/20	-	-	-	424	8,718	9,142	1,537	10,679
Dividends paid	21	-	-	-	-	-	-	(897)	(897)
Transfers from/(to) retained earnings	19	(3,940)	118	2,855	-	967	-	-	-
Balance at 30 June 2013		374,774	13,940	11,520	(396)	508,972	908,810	30,878	939,688
Group as at 30 June 2012									
Balance at 1 July 2011	19/20	383,091	13,875	13,055	(192)	474,485	884,314	30,230	914,544
Total Comprehensive Income for the year	19d/20	-	-	-	(628)	15,982	15,354	1,080	16,434
Dividends paid	21	-	-	-	-	-	-	(1,072)	(1,072)
Transfers from/(to) retained earnings	19	(4,377)	(53)	(4,390)	-	8,820	-	-	-
Balance at 30 June 2012		378,714	13,822	8,665	(820)	499,287	899,668	30,238	929,906

		Council			Group	
	Notes	**2013**	**Budget**	**2012**	**2013**	**2012**
For the Financial Year Ended 30 June 2013		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash flows from operating activities						
Receipts from customers		91,304	90,974	87,557	119,091	112,525
Interest received		-	-	-	25	67
Dividends received		2,690	-	3,216	-	-
Payments to suppliers and employees		(57,944)	(55,262)	(55,799)	(72,315)	(66,970)
Finance costs paid		(6,231)	(7,745)	(6,470)	(7,699)	(7,670)
Income tax paid		-	-	-	(2,010)	(2,059)
Net GST (payment) /receipt		(245)	-	(272)	(245)	285
Net cash inflow/(outflow) from operating activities	28(c)	29,574	27,967	28,232	36,847	36,178
Cash flows from investing activities						
Purchase of investments		(2,470)	-	(2)	(2,470)	(2)
Sale of other financial assets		41	-	8	41	8
Sale of investment property		512	-	393	512	393
Purchase of property, plant and equipment		(32,701)	(41,046)	(30,410)	(39,436)	(40,552)
Purchase of investment property		(9)	-	(2,090)	(9)	(2,090)
Purchase of intangible assets		(473)	-	(360)	(726)	(1,325)
Proceeds from sale of property, plant and equipment		414	-	31	416	67
Net cash inflow/(outflow) from investing activities		(34,686)	(41,046)	(32,430)	(41,672)	(43,501)
Cash flows from financing activities						
Proceeds from borrowings		49,322	32,349	49,500	51,950	53,710
Repayment of borrowings		(45,068)	(19,271)	(45,053)	(47,715)	(45,472)
Dividends paid		-	-	-	(897)	(1,072)
Net cash inflow /(outflow) from financing activities		**4,254**	**13,078**	**4,447**	**3,338**	**7,166**
Net increase/(decrease) in Cash and cash equivalents		(858)	(1)	249	(1,487)	(157)
Cash and cash equivalents at the beginning of the financial year		1,240	383	991	3,359	3,516
Transfer From CCO's		1,413	-	-	-	-
Cash and cash equivalents at the end of the financial year		**1,795**	**382**	**1,240**	**1,872**	**3,359**
Represented by:						
Cash and cash equivalents		1,795	382	1,240	1,872	3,359
Bank overdraft		-	-	-	-	-
		1,795	**382**	**1,240**	**1,872**	**3,359**

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

For the Financial Year Ended 30 June 2013	2012 LTP $000	2012 Actual $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding				
General Rates	13,189	13,119	1,975	1,975
Targeted Rates	40,579	40,371	54,060	53,800
User Charges - targeted rates for water supply	12,344	12,219	12,232	12,689
Grants & Subsidies for Operating expenditure	4,045	3,692	3,698	4,897
Dividends from Investments	2,700	3,216	2,469	2,690
Other Operating Funding	3,036	4,823	3,052	4,355
Total Sources of Operating Funding	75,893	77,441	77,486	80,406
Applications of Operating Funding				
Payments to Staff and Suppliers	54,678	53,152	55,263	58,530
Finance Costs	7,603	6,468	7,745	6,231
Total Applications of Operating Funding	62,281	59,620	63,008	64,761
Surplus/(Deficit) of Operating Funding	**13,612**	**17,820**	**14,478**	**15,645**
Sources of Capital Funding				
Grants & Subsidies for Capital expenditure	12,605	10,355	9,440	9,189
Development Contributions	6,951	3,969	4,048	2,954
Increase/(Decrease) in Debt	19,008	4,447	13,078	2,932
Total Sources of Capital Funding	38,564	18,771	26,566	15,075
Applications of Capital Funding				
Capital Expenditure				
- to meet additional demand	19,350	9,041	15,775	10,293
- to replace existing assets	18,061	14,317	10,765	8,791
- to improve the level of service	14,765	9,576	14,504	11,233
Increase/(Decrease) in Reserves	-	3,658	-	404
Total Applications of Capital Funding	52,176	36,591	41,044	30,720
Surplus/(Deficit) of Capital Funding	**(13,612)**	**(17,820)**	**(14,478)**	**(15,645)**
Funding Balance	**-**	**-**	**-**	**-**

For the Financial Year Ended 30 June 2013	2012 LTP $000	2012 Actual $000	2013 Annual Plan $000	2013 Actual $000
INCOME				
Statement of Comprehensive Income:				
Total Operating Income	**105,132**	**91,709**	**100,103**	**96,078**
Funding Impact Statement:				
Total Sources of Operating Funding	75,893	77,441	77,486	80,406
Plus Sources of Capital Funding:				
Grants & Subsidies for Capital expenditure	12,605	10,355	9,440	9,189
Development Contributions	6,951	3,969	4,048	2,954
Gross Proceeds from Property Sales	-	-	-	-
Less Cost of Property Sales	-	-	-	-
Plus Non Cash Items:				
Vested Assets	9,683	5,220	9,129	2,396
Other Gains/(Losses)	-	(5,276)	-	1,133
Total Income	**105,132**	**91,709**	**100,103**	**96,078**
EXPENDITURE				
Statement of Comprehensive Income:				
Total Operating Cost	**79,849**	**77,019**	**82,173**	**84,624**
Funding Impact Statement:				
Total Applications of Operating Funding	62,281	59,620	63,008	64,761
Plus Non Cash Items:				
Depreciation & Amortisation Expense	17,568	17,399	19,165	18,051
Other	-	-	-	1,812
Total Expenditure	**79,849**	**77,019**	**82,173**	**84,624**

Governance	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	2,337	-	119
Targeted Rates	2,206	4,308	4,297
User Charges	-	-	-
Grants & Subsidies for Operating expenditure	-	-	-
Dividends from Investments	2,700	2,469	2,690
Other Operating Funding	13	23	15
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**7,256**	**6,800**	**7,121**
Applications of Operating Funding			
Payments to Staff and Suppliers	2,024	1,891	1,912
Finance Costs	-	-	-
Internal Charges Applied	2,662	2,629	2,518
Total Applications of Operating Funding	**4,686**	**4,520**	**4,429**
Surplus/(Deficit) of Operating Funding	**2,570**	**2,280**	**2,692**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	-	-	-
Development Contributions	-	-	-
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	-	-	-
Total Sources of Capital Funding	**-**	**-**	**-**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	-	-	-
- to replace existing assets	-	-	-
- to improve the level of service	-	-	-
Increase/(Decrease) in Reserves	2,570	2,280	2,692
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**2,570**	**2,280**	**2,692**
Surplus/(Deficit) of Capital Funding	**(2,570)**	**(2,280)**	**(2,692)**
Funding Balance	**-**	**-**	**-**

Community	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	3,901	582	553
Targeted Rates	6,608	10,771	11,262
User Charges	1,334	1,421	1,674
Grants & Subsidies for Operating expenditure	525	80	61
Dividends from Investments	-	-	-
Other Operating Funding	267	197	343
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**12,635**	**13,051**	**13,893**
Applications of Operating Funding			
Payments to Staff and Suppliers	8,289	9,028	9,027
Finance Costs	1,076	1,188	959
Internal Charges Applied	2,131	2,175	2,150
Total Applications of Operating Funding	**11,496**	**12,391**	**12,136**
Surplus/(Deficit) of Operating Funding	**1,139**	**660**	**1,756**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	-	-	3,264
Development Contributions	2,999	1,819	1,056
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	(345)	1,888	2,017
Total Sources of Capital Funding	**2,654**	**3,707**	**6,661**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	4,945	4,318	2,632
- to replace existing assets	1,320	1,289	2,248
- to improve the level of service	1,334	2,440	2,872
Increase/(Decrease) in Reserves	(3,806)	(3,680)	341
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**3,793**	**4,367**	**8,094**
Surplus/(Deficit) of Capital Funding	**(1,139)**	**(660)**	**(1,756)**
Funding Balance	**-**	**-**	**-**

Economic Development	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	587	755	524
Targeted Rates	3,707	3,673	3,123
User Charges	6,427	6,279	6,251
Grants & Subsidies for Operating expenditure	-	-	-
Dividends from Investments	-	-	-
Other Operating Funding	-	-	15
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**10,721**	**10,707**	**9,913**
Applications of Operating Funding			
Payments to Staff and Suppliers	8,432	8,576	8,283
Finance Costs	1,131	1,076	940
Internal Charges Applied	232	234	235
Total Applications of Operating Funding	**9,795**	**9,886**	**9,458**
Surplus/(Deficit) of Operating Funding	**926**	**821**	**455**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	-	-	-
Development Contributions	-	-	-
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	1,010	641	124
Total Sources of Capital Funding	**1,010**	**641**	**124**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	-	266	198
- to replace existing assets	1,023	343	169
- to improve the level of service	1,689	473	216
Increase/(Decrease) in Reserves	(775)	380	(4)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**1,936**	**1,462**	**579**
Surplus/(Deficit) of Capital Funding	**(926)**	**(821)**	**(455)**
Funding Balance	**-**	**-**	**-**

Environmental Management	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	6,684	567	672
Targeted Rates	2,629	7,834	7,807
User Charges	3,655	3,604	3,686
Grants & Subsidies for Operating expenditure	150	152	80
Dividends from Investments	-	-	-
Other Operating Funding	1,230	1,321	1,697
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**14,348**	**13,478**	**13,942**
Applications of Operating Funding			
Payments to Staff and Suppliers	11,576	11,038	10,716
Finance Costs	765	756	713
Internal Charges Applied	1,767	1,796	1,610
Total Applications of Operating Funding	**14,108**	**13,590**	**13,039**
Surplus/(Deficit) of Operating Funding	**240**	**(112)**	**903**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	-	-	-
Development Contributions	-	-	-
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	(1,373)	(237)	(376)
Total Sources of Capital Funding	**(1,373)**	**(237)**	**(376)**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	2	1	143
- to replace existing assets	16	62	123
- to improve the level of service	235	512	157
Increase/(Decrease) in Reserves	(1,387)	(924)	104
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**(1,133)**	**(349)**	**527**
Surplus/(Deficit) of Capital Funding	**(240)**	**112**	**(903)**
Funding Balance	**-**	**-**	**-**

Roading and Footpaths	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	-	-	-
Targeted Rates	11,193	12,651	12,589
User Charges	928	928	1,064
Grants & Subsidies for Operating expenditure	3,370	3,466	4,756
Dividends from Investments	-	-	-
Other Operating Funding	391	391	474
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**15,882**	**17,436**	**18,883**
Applications of Operating Funding			
Payments to Staff and Suppliers	7,501	7,470	7,471
Finance Costs	1,902	1,796	1,391
Internal Charges Applied	948	926	924
Total Applications of Operating Funding	**10,351**	**10,192**	**9,786**
Surplus/(Deficit) of Operating Funding	**5,531**	**7,244**	**9,098**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	12,251	9,440	5,925
Development Contributions	566	751	575
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	3,357	853	(34)
Total Sources of Capital Funding	**16,174**	**11,044**	**6,466**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	8,988	8,402	5,483
- to replace existing assets	11,029	4,683	4,683
- to improve the level of service	4,048	6,654	5,984
Increase/(Decrease) in Reserves	(2,360)	(1,451)	(588)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**21,705**	**18,288**	**15,563**
Surplus/(Deficit) of Capital Funding	**(5,531)**	**(7,244)**	**(9,098)**
Funding Balance	**-**	**-**	**-**

Sewerage	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	75	229	142
Targeted Rates	6,258	6,471	6,495
User Charges	-	-	-
Grants & Subsidies for Operating expenditure	-	-	-
Dividends from Investments	-	-	-
Other Operating Funding	29	34	39
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**6,362**	**6,734**	**6,676**
Applications of Operating Funding			
Payments to Staff and Suppliers	3,296	3,523	4,294
Finance Costs	1,515	1,649	1,225
Internal Charges Applied	701	687	686
Total Applications of Operating Funding	**5,512**	**5,859**	**6,205**
Surplus/(Deficit) of Operating Funding	**850**	**875**	**471**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	354	-	-
Development Contributions	1,473	791	708
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	3,426	904	370
Total Sources of Capital Funding	**5,253**	**1,695**	**1,078**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	3,995	562	1,144
- to replace existing assets	2,023	1,332	977
- to improve the level of service	4,983	1,455	1,248
Increase/(Decrease) in Reserves	(4,898)	(779)	(1,819)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**6,103**	**2,570**	**1,549**
Surplus/(Deficit) of Capital Funding	**(850)**	**(875)**	**(471)**
Funding Balance	**-**	**-**	**-**

Water Supply	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	-	26	18
Targeted Rates	6,613	6,999	6,896
User Charges	-	-	-
Grants & Subsidies for Operating expenditure	-	-	-
Dividends from Investments	-	-	-
Other Operating Funding	56	56	9
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**6,669**	**7,081**	**6,923**
Applications of Operating Funding			
Payments to Staff and Suppliers	4,183	4,465	6,881
Finance Costs	780	858	669
Internal Charges Applied	697	683	679
Total Applications of Operating Funding	**5,660**	**6,006**	**8,229**
Surplus/(Deficit) of Operating Funding	**1,009**	**1,075**	**(1,306)**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	-	-	-
Development Contributions	1,589	532	592
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	482	2,223	973
Total Sources of Capital Funding	**2,071**	**2,755**	**1,565**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	1,381	1,422	266
- to replace existing assets	2,154	2,277	227
- to improve the level of service	1,301	1,449	290
Increase/(Decrease) in Reserves	(1,756)	(1,318)	(523)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**3,080**	**3,830**	**259**
Surplus/(Deficit) of Capital Funding	**(1,009)**	**(1,075)**	**1,306**
Funding Balance	**-**	**-**	**-**

Stormwater	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	-	-	-
Targeted Rates	1,365	1,350	1,331
User Charges	-	-	-
Grants & Subsidies for Operating expenditure	-	-	-
Dividends from Investments	-	-	-
Other Operating Funding	278	274	246
Internal Charges Recovered	-	-	-
Total Sources of Operating Funding	**1,643**	**1,624**	**1,577**
Applications of Operating Funding			
Payments to Staff and Suppliers	505	490	634
Finance Costs	250	302	238
Internal Charges Applied	225	221	219
Total Applications of Operating Funding	**980**	**1,013**	**1,091**
Surplus/(Deficit) of Operating Funding	**663**	**611**	**486**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	-	-	-
Development Contributions	324	155	23
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	(560)	116	(165)
Total Sources of Capital Funding	**(236)**	**271**	**(142)**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	39	804	211
- to replace existing assets	495	295	181
- to improve the level of service	111	69	231
Increase/(Decrease) in Reserves	(218)	(286)	(279)
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**427**	**882**	**344**
Surplus/(Deficit) of Capital Funding	**(663)**	**(611)**	**(486)**
Funding Balance	**-**	**-**	**-**

Overhead	2012 LTP $000	2013 Annual Plan $000	2013 Actual $000
Sources of Operating Funding			
General Rates	(395)	(184)	(53)
Targeted Rates	-	3	-
User Charges	-	-	15
Grants & Subsidies for Operating expenditure	-	-	-
Dividends from Investments	-	-	-
Other Operating Funding	772	756	1,517
Internal Charges Recovered	9,363	9,351	9,014
Total Sources of Operating Funding	**9,740**	**9,926**	**10,493**
Applications of Operating Funding			
Payments to Staff and Suppliers	8,872	8,782	9,311
Finance Costs	184	120	93
Internal Charges Applied	-	-	-
Total Applications of Operating Funding	**9,056**	**8,902**	**9,404**
Surplus/(Deficit) of Operating Funding	**684**	**1,024**	**1,088**
Sources of Capital Funding			
Grants & Subsidies for Capital expenditure	-	-	-
Development Contributions	-	-	-
Gross Proceeds from Property Sales	-	-	-
Increase/(Decrease) in Debt	13,011	6,690	24
Total Sources of Capital Funding	**13,011**	**6,690**	**24**
Applications of Capital Funding			
Capital Expenditure			
- to meet additional demand	-	-	216
- to replace existing assets	-	484	184
- to improve the level of service	1,066	1,453	235
Increase/(Decrease) in Reserves	12,630	5,777	477
Increase/(Decrease) of Investments	-	-	-
Total Applications of Capital Funding	**13,695**	**7,714**	**1,112**
Surplus/(Deficit) of Capital Funding	**(684)**	**(1,024)**	**(1,088)**
Funding Balance	**-**	**-**	**-**

1. Summary of Accounting Policies

Reporting Entity

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

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

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself and the Group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

On 20 March 2013, Queenstown Lakes District Council (Council) resolved to re-integrate the operation of two of QLDC's Council Controlled Organisations, Lakes Leisure Limited and Lakes Environmental Limited into Council. The assets and liabilities of the Companies were transferred to Council on 30 June 2013.

Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit entities.

All available public benefit entity reporting exemptions under NZ IFRS have been adopted.

Basis of Preparation

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements are presented in thousands of New Zealand dollars. New Zealand dollars are the Council's and Group's functional currency.

The following accounting policies which materially affect the measurement of results and financial position have been applied:

Revenue Recognition

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, net of discounts and GST.

Rates Revenue

Rates revenue is recognised when it is levied.

Other Revenue

(a) Rendering of Services

Revenue from the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

(b) 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.

(c) Dividend Revenue

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

(d) Fees and Charges

Fees and charges are recognised as income when supplies and services have been rendered.

(e) Contracts and Consents

Revenue relating to contracts and consent applications that are in progress at balance date is recognised by reference to the stage of completion at balance date.

(f) Grant Revenue

Government grants are received from Land Transport New Zealand, which subsidises part of the Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

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

(g) 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.

Development contributions are classified as part of the "Other Revenue".

Other Gains and Losses

(a) Sale of investment property, property, plant and equipment, property intended for sale and financial assets.

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

(b) Assets Acquired for Nil or Nominal Consideration

Certain infrastructural assets have been vested to the Council as part of the subdivision covenant process. Such vested assets are recognised as revenue when the significant risks and rewards of ownership have been transferred to the Council and when the obligation to accept the transfer of the assets to the Council has been determined.

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.

Leases

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

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

(a) Council and/or Group as Lessor

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

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

(b) Council and/or Group as Lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.
Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

(c) Lease Incentives

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

Taxation

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

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

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

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

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

Current and deferred tax is recognised as a 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 also 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 in banks and other short-term highly liquid deposits that are readily convertible to a known amount of cash.

Financial Instruments

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

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

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

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

Held-to-Maturity Investments

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

Available-for-Sale Financial Assets

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

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

Loans and Receivables

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

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

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

Until 1 July 1998 in certain circumstances funds were required to be set aside each year to meet future payments of loans and commitments. These funds, described as Sinking Funds, are administered by independent Sinking Fund Commissioners appointed by the Council. The funds are included in the Statement of Financial Position. The Council now voluntarily contributes to sinking funds to build up funds to pay off debt principal. Deposits are included within this classification.

Impairment of Financial Assets

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

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

(ii) Financial Liabilities

Trade and Other Payables

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

Borrowings

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

(iii) Derivative Financial Instruments

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

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

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

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as listed equities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Council and Group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council and Group uses a variety of methods and makes assumptions that are based on market conditions existing as each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held.

Embedded Derivatives

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

Hedge Accounting

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

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, QAC documents whether the hedging instrument that is used in a hedged relationship is highly effective in offsetting changes in fair values or cash flows hedged item.
Note 16 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in other comprehensive income.

Cash Flow Hedges

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

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

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

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

Inventories

Development Properties

Development properties classified within Inventory 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.

Other inventories

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

Properties Intended for Sale

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

Property, Plant and Equipment

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

Operational Assets

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

Airport Assets
- Land
- Buildings
- Runway
- Roading and carparking

Infrastructure Assets

- Infrastructure 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

Cost

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

Accounting for Revaluations

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

The results of revaluing are credited or debited to an asset revaluation reserve via other comprehensive income for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed to the Statement of Financial Performance. Any subsequent increase in revaluation that offsets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial Performance up to the amount previously expensed, and then credited to the revaluation reserve via other comprehensive income for that class of asset.

Sewer, Stormwater, Water

Sewer, stormwater and water assets are stated at fair value, which is optimised depreciated replacement cost value as at 1 July, 2010 by Rationale, independent valuers. Acquisitions subsequent to 1 July, 2010 are at cost.

Roads, Bridges and Lighting

Roading assets are stated at fair value, which is optimised depreciated replacement cost value as at 1 July, 2010 by GHD Limited, independent valuers. Bridges and lighting are stated at valuation which is optimised depreciated replacement cost value.

Airport Land, Buildings, Roading, Carparking and Runways

Airport Land holdings and buildings held by QAC were independently valued by Seagar & Partners, registered valuers, as at 30 June 2010 to fair value. The runway was independently valued by Beca Valuations Limited (Beca), registered valuers, as at 30 June 2010. Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. To arrive at fair value the valuers used optimised depreciated replacement cost for the terminal building, fire building, runway and aprons and direct comparison/market value for land.

Depreciation

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

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

Airport assets, with the exception of land, are depreciated on a straight line and a diminishing value basis to write off the asset to its estimated residual value over its estimated useful life.
Expenditure incurred to maintain these assets at full operating capability is charged to the Statement of Financial Performance in the year incurred.

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

Operational Assets	Rate (%)	Method
Buildings	2.0% - 33%	SL
Building improvements	1.67% -6.67%	SL
Plant and equipment	5.5% - 28%	SL
Motor vehicles	20% - 26%	DV
Furniture and office equipment	10% - 33%	SL
Computer equipment	25%	SL
Library books	10%	SL
Infrastructural Assets		
Sewerage	1.67% - 10%	SL
Water supply	1.67% - 10%	SL
Stormwater	1.67% - 10%	SL
Roading - Basecourse	2.10%	SL
Roading - Bridges	2.60%	SL
Roading - Surfacing	8.60%	SL
Roading - Other	1% - 10%	SL

Airport Assets at fair value	Rate (%)	Method
Buildings	2.5%-33%	DV
Airport Runway	1.67%-20%	SL
Roading and Carparking	4.8%-26%	DV

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

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 are 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 the investment properties are included in the Statement of Financial Performance in the period in which they arise.

Goodwill

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

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

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

Finite life intangible assets

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

Intangible assets acquired in a business combination

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

Intangible Assets - Software acquisition and development

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

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

Impairment of Non-Financial Assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's 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 (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 (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase, via other comprehensive income.

Employee Benefits

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

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

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

Provisions

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

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

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 Cashflows

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

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

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

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

Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its subsidiaries as defined in NZ IAS-27 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.
On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to profit and loss in the period of acquisition.

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

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

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

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

Equity

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

Restricted and Council Created Reserves

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

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

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council. The Council's objectives, policies and processes for managing capital are described in Note 33.

Financial guarantee contracts

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

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

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

Budget Figures

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ IFRS, 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 identified in an economically feasible manner with a specific significant activity.

Critical accounting estimates and assumptions

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

Infrastructural assets

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

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater 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.

Other Estimates and Assumptions

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

Goodwill;
In performing the impairment test for goodwill management have assumed the service contract between Lakes Environmental Limited (LEL) and Council will operate in perpetuity. The service contract is subject to formal review and renewal every three years. In the event the service contract is not renewed, or renewed on terms that differ to the existing service contract, this may result in a reduction of managements estimated future cash flows associated with the service contract. These decreased future cash flows may impact the Directors assessment of the carrying value of goodwill.

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

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

Changes to estimates, assumptions or market conditions subsequent to the revaluation would result in changes to the fair value of property, plant and equipment. The carrying value of property, plant and equipment at the last revaluation are disclosed in note 10 and the valuation methodologies used at the last revaluation are disclosed above.

Critical Judgements

Management has exercised the following critical judgements in applying the Council's and Group's accounting policies for the period ended 30 June 2013.

Valuation of Infrastructure Assets

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

Classification of Leasehold Properties

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

Changes in Accounting Policy

There have been no changes in accounting policy.

Adoption of New and Revised Standards and Interpretations

Standards and Interpretations effective in the current period

There were no new or revised Standards or Interpretations effective in the current period that had a material impact on the annual report of Council or Group.

Standards and Interpretations on issue but not yet adopted

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements.

The XRB and New Zealand Accounting Standards Board (NZASB) are proposing changes to the accounting standards that apply, distinguishing between 'for-profit' entities, public benefit entities (PBEs) in the public sector and PBEs that are not-for-profit. The Council falls into the category of PBE.

A new suite of standards (PBE International Public Sector Accounting Standards) were approved for PBEs on 23 May 2013 and will be applicable to the public sector for reporting periods beginning on or after 1 July 2014. Early adoption is not permitted to ensure consistency of reporting in the public sector.

Although the new standards apply to reporting periods beginning on or after 1 July 2014, comparative information will be required which means an opening balance sheet will need to be established at 1 July 2013. In addition, budgeted information for the 2014/2015 year will need to be prepared by Council in accordance with the new standards ahead of 1 July 2014.

The Council is unable to assess the implications of the new Accounting Standards Framework at this time.

2. Surplus From Operations

For the Financial Year Ended 30 June 2013	Notes	Council 2013 $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
(a) Revenue					
Revenue consisted of the following items:					
Rates Revenue:					
General rates		1,975	13,119	1,972	13,060
Targeted rates		53,800	40,371	53,544	40,203
		55,775	53,490	55,516	53,263
Other Revenue:					
User charges		12,689	12,219	23,331	23,763
Capital Contributions		2,954	3,969	2,910	3,914
Grants and subsidies		14,086	14,046	14,086	14,046
Vested assets		2,396	5,220	2,396	5,220
Landing dues		-	-	12,226	7,764
Dividend income		2,690	3,216	-	-
Other revenue		4,355	4,824	4,992	5,577
Rental Revenue:					
Operating lease rental revenue		-	-	4,499	5,079
Interest Revenue:					
Bank deposits		-	-	26	38
Inland Revenue Department		-	-	-	6
		39,170	43,494	64,466	65,407

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

2. Surplus From Operations continued

For the Financial Year Ended 30 June 2013	Notes	Council 2013 $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
(b) Other Gains/(Losses)					
Gain/(loss) on revaluation of investment property	13	(3,771)	(4,283)	(3,771)	(4,283)
Gain/(loss) on disposal of investment property		241	263	241	263
Gain/(loss) on disposal of property, plant and equipment		(40)	-	(40)	-
Gain/(loss) in fair value of shares		(4)	(35)	(4)	(35)
Gain/(loss) in fair value of forestry assets	11	-	-	303	(11)
Gain/(loss) in fair value of forestry investment		227	(8)	-	-
Gain on transfer of Lakes Leisure surplus net assets	25	3,196	-	-	-
Gain/(loss) in fair value of derivative financial instruments classified at fair value through profit or loss		1,284	(1,212)	1,277	(1,223)
		1,133	(5,275)	(1,994)	(5,289)
(c) Employee Benefits Expense					
Salaries and wages		8,388	7,933	18,004	17,142
Other		-	-	69	49
		8,388	7,933	18,073	17,191
(d) Depreciation and Amortisation Expense					
Depreciation of property, plant and equipment	10	17,782	17,173	22,530	20,986
Amortisation of intangible assets	12	269	224	331	265
		18,051	17,397	22,861	21,251
(e) Finance Costs					
Interest on loans		6,231	6,470	7,701	7,688
Other interest expense		-	-	-	-
		6,231	6,470	7,701	7,688
(f) Other Expenses					
Impairment of goodwill	12(b)	-	-	2,980	-
Impairment of investment in subsidiary		1,812	-	-	-
Increase/(Decrease) in allowance for doubtful debts		3	8	53	27
Operating lease rental expenses:					
Minimum lease payments		1,006	831	1,543	1,343
Loss provision - claims against Council		200	290	200	290
Operating Expenses		48,933	44,090	52,289	46,301
		51,954	45,219	57,065	47,961

2. Surplus From Operations continued

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council 2012 $'000
(g) Summary Cost of Services by Activity (Council only)		
Income		
Governance	5,901	3,224
Community	6,928	5,181
Economic Development	2,871	2,168
Environmental Management	5,465	5,166
Roading and Parking	13,401	17,771
Water Supply	922	1,401
Stormwater	773	1,148
Wastewater	1,180	1,916
Other	2,862	245
Targeted Rates	53,800	40,371
General Rates	1,975	13,119
Total Income	96,078	91,709
Expenditure		
Governance	6,244	4,370
Community	15,092	15,113
Economic Development	9,661	9,558
Environmental Management	13,270	12,805
Roading and Parking	17,515	16,656
Water Supply	10,326	7,345
Stormwater	2,453	2,265
Wastewater	9,260	8,236
Other	803	671
Total Operating Expenditure	84,624	77,019

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

3. Income Taxes

(a) Income Tax Recognised in Profit or Loss

	Council		Group	
	2013	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000
Tax expense/(income) comprises:				
Current tax expense/(credit):				
Current year	-	-	2,493	1,879
Adjustments for prior years	-	-	320	-
	-	-	2,813	1,879
Deferred tax expense/(credit):				
Origination and reversal of temporary differences	-	-	(302)	132
Adjustments for prior years	-	-	(336)	(8)
Deferred tax relating to future non depreciation of buildings	-	-	-	15
	-	-	(638)	139
Total tax expense/(income)	-	-	2,175	2,018
The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:				
Surplus /(deficit) before income tax	8,258	14,690	12,288	19,290
Income tax expense (credit) calculated at 28%	2,312	4,113	3,442	5,401
Non assessable income and expenses	(2,312)	(4,113)	(1,098)	(3,404)
Reversal of temporary difference	-	-	(28)	28
Adjustments for prior years	-	-	(16)	(62)
Deferred tax relating to future non depreciation of buildings	-	-	-	15
Other	-	-	55	34
	-	-	2,355	2,012
Loss carried forward	-	-	(6)	6
Tax loss offset	-	-	(174)	-
	-	-	2,175	2,018
Taxation effect of imputation credits:				
Imputation credits utilised	-	-	-	-
(Over)/under provision of income tax in previous year	-	-	-	-
Income tax expense/(credit)	**-**	**-**	**2,175**	**2,018**

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2012: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

3. Income Taxes continued

(b) Income Tax Recognised Directly In Other Comprehensive Income

Deferred tax of $220,000 (2012: Credit $326,000) has been charged/(credited) directly to other comprehensive income during the period, relating to the fair value movement of derivative financial instruments, for Queenstown Airport Corporation.

(c) Current Tax Assets and Liabilities

	Council		Group	
	2013	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000
Current Tax Refundable:				
Current tax refundable	68	-	68	-
Current Tax Payable:				
Current tax payable	-	-	870	75

	Group			
2012	Opening Balance	Charged to income	Charged to other Comprehensive Income	Closing balance
	$'000	$'000	$'000	$'000
Gross deferred tax asset/(liability)				
Property, plant and equipment	(7,174)	90	-	(7,084)
Intangible assets	(92)	(199)	-	(291)
Employee entitlements	114	(51)	-	63
Provision for doubtful debts	15	-	-	15
Derivatives	227	5	326	558
Trade and other payables	8	11	-	19
Losses recognised	-	4	-	4
Gross deferred tax asset/(liability)	(6,902)	(140)	326	(6,716)

(d) Deferred Tax Balances Comprise

Taxable and deductible temporary differences arising from the following:

	Group			
2013	Opening Balance	Charged to income	Charged to other Comprehensive Income	Closing balance
	$'000	$'000	$'000	$'000
Gross deferred tax asset/(liability):				
Property, plant and equipment	(7,084)	439	-	(6,645)
Intangible assets	(291)	153	-	(138)
Employee entitlements	63	(13)	-	50
Provision for doubtful debts	15	(15)		-
Derivatives	558	-	(220)	338
Trade and other payables	19	10	-	29
Losses recognised	4	(4)	-	-
Gross deferred tax asset/(liability)	(6,716)	570	(220)	(6,366)

(e) Imputation Credit Account Balances

	Council		Group	
	2013	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	5,955	5,310
Taxation paid	-	-	2,919	2,105
Income tax payable	-	-	81	-
Income tax refunded	-	-	(23)	(51)
Imputation credits on dividends paid	-	-	(1,337)	(1,409)
Balance at end of year	-	-	7,595	5,955
Imputation credits available directly and indirectly to Council through:				
Council	-	-	-	-
Subsidiaries	-	-	7,595	5,955
	-	-	7,595	5,955

4. Key Management Personnel Compensation

The compensation of the Councillors, Chief Executive, Directors and other senior management, being the key management personnel of the entity, is set out below:

	Council		Group	
	2013	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000
Short-term employee benefits	745	802	1,608	1,474
Directors Fees	-	-	313	317
	745	802	1,921	1,791

5. Remuneration of Auditors

	Council		Group	
	2013	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000
Audit fees for financial statement audit	148	145	270	280
Audit of 2012 LTP	-	130	-	130
Audit fees for assurance and related services	18	3	64	34
Fees for tax services	5	4	14	12
	171	282	348	456

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

6. Trade and Other Receivables

	Council		Group	
	2013	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000
Trade receivables (i)	3,496	3,099	5,216	4,810
Parking receivables (i)	976	986	976	986
Rates receivables (i)	2,013	2,300	2,013	2,300
New Zealand Transport Agency	1,564	1,679	1,564	1,679
Other (i)	2,216	2,603	2,216	2,797
Allowance for doubtful debts (ii)	(862)	(791)	(862)	(841)
	9,403	9,876	11,123	11,731

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

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

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

	Council		Group	
	2013	2012	2013	2012
Trade and Other Receivables (excluding Rates)	$'000	$'000	$'000	$'000
Current (0-30 days)	4,791	4,883	5,939	6,202
31-60 days *	429	197	940	565
61-90 days *	172	192	201	225
90 days + *	2,007	2,331	2,039	2,466
	7,399	7,603	9,119	9,458
Rates Receivables				
Current (0-30 days)	666	802	666	802
31 days - 1 Year *	827	1,024	827	1,024
1 Year + *	511	447	511	447
	2,004	2,273	2,004	2,273
Total Receivables	9,403	9,876	11,123	11,731

* Amounts are considered past due.

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Disclosed in the financial statements as:				
Current	9,403	9,876	11,123	11,731
Non-current	-	-	-	-
	9,403	**9,876**	**11,123**	**11,731**
(iii) Movement in the allowance for doubtful debts:				
Balance at beginning of year	(791)	(885)	(841)	(935)
Transfer on reintegration of CCOs	(50)	-	-	-
Amounts written off during year	32	102	32	102
Additional allowance recognised in Statement of Financial Performance	(53)	(8)	(53)	(8)
Balance at end of year	**(862)**	**(791)**	**(862)**	**(841)**

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

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

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

7. Other Financial Assets

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
National Provident Sinking Fund	-	32	-	32
Other investments held	676	48	676	48
Advances to community organisations	460	460	460	460
Short term investments	12	12	12	12
Interest rate option (FVTPL), (i)	-	-	-	7
	1,148	**552**	**1,148**	**559**
Represented by:				
Current	12	12	12	19
Non Current	1,136	540	1,136	540
	1,148	**552**	**1,148**	**559**

Other financial assets are recognised at amortised cost with the exception of the interest rate option which is Other financial assets are recognised at amortised cost with the exception of the interest rate option which is recognised at Fair Value through Profit and Loss (FVTPL).
There are no impairment provisions for other financial assets.

(i) QAC holds an interest rate option for $10m which is effective from 1 January 2012 at a rate of 7%. The interest rate option is not part of a designated hedge relationship and therefore movements are recognised in the profit or loss.

8. Other Current Assets

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Prepayments	871	890	908	926
	871	**890**	**908**	**926**

9. Development Properties

Stage 8 of the Council owned Aubrey Road - Scurr Heights property has been developed for sale following the approval by Council on 8 May, 2006 to sell the property.

For the Financial Year Ended 30 June 2013	Council 2013 $'000	Council 2012 $'000	Group 2013 $'000	Group 2012 $'000
Land	292	292	292	292
	292	**292**	**292**	**292**

10. Property, Plant and Equipment

Council 2013

	Cost/ Valuation	Additions	Disposals	Transfers	Transfer from CCO's	Cost/ Valuation	Accumulated depreciation and impairment charges	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense	Accumulated depreciation reversed on disposal	Accumulated depreciation and impairment charges	Carrying amount
	1-Jul-12					30-Jun-13	1-Jul-12				30-Jun-13	30-Jun-13
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Council Operational Assets												
At Cost												
Land	58,156	3,490	(233)	37		61,450	-		-		-	61,450
Buildings	44,245	3,708	(111)	608	1,095	49,545	(8,386)		(1,026)	28	(9,384)	40,161
Building Improvements	29,538	1,442		38	1,018	32,036	(11,689)		(1,777)		(13,466)	18,570
Plant and Machinery	7,468	600	(51)		1,276	9,293	(2,578)		(471)	20	(3,029)	6,264
Motor Vehicles	999	123	(59)		74	1,137	(590)		(92)	37	(645)	492
Furniture and Office Equipment	3,649	82			334	4,065	(3,122)		(120)		(3,242)	823
Computer Equipment	1,861	128		75	121	2,185	(1,723)		(80)		(1,803)	382
Library Books	3,023	233				3,256	(2,555)		(304)		(2,859)	397
Work in progress	3,535	937		(758)		3,714	-		-		-	3,714
Total Operational Assets	**152,474**	**10,743**	**(454)**	**-**	**3,918**	**166,681**	**(30,643)**	**-**	**(3,870)**	**85**	**(34,428)**	**132,253**
Council Infrastructural Assets												
Water Supply	84,717	14		3,685		88,416	(3,960)		(2,097)	-	(6,057)	82,359
Sewerage	116,365	293		760		117,418	(5,924)		(3,054)	-	(8,978)	108,440
Stormwater	72,809	914		148		73,871	(2,672)		(1,362)	-	(4,034)	69,837
Roading - Basecourse	63,191	2,208		1,328		66,727	(7,436)		(3,789)	-	(11,225)	55,502
Roading - Bridges	29,964	416		1		30,381	(855)		(437)	-	(1,292)	29,089
Roading - Surfacing	44,631	5,276		1,982		51,889	(457)		(630)	-	(1,087)	50,802
Roading - Other	206,886	7,600		6,150		220,636	(4,552)		(2,543)	-	(7,095)	213,541
Land under Roads	103,444	-		-		103,444	-		-	-	-	103,444
Work in Progress	30,272	5,248		(14,054)		21,466	-		-	-	-	21,466
Total Infrastructural Assets	**752,279**	**21,969**	**-**	**-**		**774,248**	**(25,856)**	**-**	**(13,912)**	**-**	**(39,768)**	**734,480**
Total Council Property, Plant and Equipment	**904,753**	**32,712**	**(454)**	**-**	**3,918**	**940,929**	**(56,499)**	**-**	**(17,782)**	**85**	**(74,196)**	**866,733**

The Council's obligation under finance leases(note18) are secured by the lessors' title to the leased assets which have a carrying amount of $NIL

10. Property, Plant and Equipment continued

Council 2012

	Cost/ Valuation	Additions	Disposals	Transfers	Transfer (to)/from Investment Property	Revaluation	Cost/ Valuation	Accumulated depreciation and impairment charges	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense	Transfer	Transfer (to)/from Investment Property	Accumulated depreciation and impairment charges	Carrying amount
	1-Jul-11						30-Jun-12	1-Jul-11					30-Jun-12	30-Jun-12
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Council Operational Assets														
At Cost														
Land	55,954	2,233	(31)	-		-	58,156	-		-	-		-	58,156
Buildings	43,855	346		38	6	-	44,245	(7,340)		(999)	-	(47)	(8,386)	35,859
Building Improvements	28,803	301		249	185	-	29,538	(9,949)		(1,740)	-		(11,689)	17,849
Plant and Machinery	7,235	233		-		-	7,468	(2,136)		(456)	-	14	(2,578)	4,890
Motor Vehicles	999	-		-		-	999	(488)		(102)	-		(590)	409
Furniture and Office Equipment	3,578	71		-		-	3,649	(2,961)		(161)	-		(3,122)	527
Computer Equipment	1,760	101		-		-	1,861	(1,604)		(119)	-		(1,723)	138
Library Books	2,803	220		-		-	3,023	(2,273)		(282)	-		(2,555)	468
Work in progress	3,383	1,046		(287)	(607)	-	3,535	-		-	-		-	3,535
Total Operational Assets	**148,370**	**4,551**	**(31)**	**-**	(416)	**-**	**152,474**	**(26,751)**	**-**	**(3,859)**	**-**	(33)	**(30,643)**	**121,831**
Council Infrastructural Assets														
Water Supply	81,628	2,620		469		-	84,717	(1,939)		(2,021)	-		(3,960)	80,757
Sewerage	114,674	1,481		210		-	116,365	(2,920)		(3,004)	-		(5,924)	110,441
Stormwater	71,710	834		265		-	72,809	(1,329)		(1,343)	-		(2,672)	70,137
Roading - Basecourse	61,701	1,406		84		-	63,191	(3,682)		(3,754)	-		(7,436)	55,755
Roading - Bridges	29,634	323		7		-	29,964	(426)		(429)	-		(855)	29,109
Roading - Surfacing	42,663	1,869		99		-	44,631	(34)		(423)	-		(457)	44,174
Roading - Other	195,912	10,480		494		-	206,886	(2,212)		(2,340)	-		(4,552)	202,334
Land under Roads	103,282	36		126		-	103,444	-		-	-		-	103,444
Work in Progress	17,473	14,553		(1,754)		-	30,272	-		-	-		-	30,272
Total Infrastructural Assets	**718,677**	**33,602**	**-**	**-**		**-**	**752,279**	**(12,542)**	**-**	**(13,314)**	**-**		**(25,856)**	**726,423**
Total Council Property, Plant and Equipment	**867,047**	**38,153**	**(31)**	**-**	(416)	**-**	**904,753**	**(39,293)**	**-**	**(17,173)**	**-**	(33)	**(56,499)**	**848,254**

The Council's obligation under finance leases(note18) are secured by the lessors' title to the leased assets which have a carrying amount of $NIL (2011: $22,672)

10. Property, Plant and Equipment continued

Group 2013

	Cost/ Valuation 1-Jul-12	Additions	Disposals	Transfers	Cost/ Valuation 30-Jun-13	Accumulated depreciation and impairment charges 1-Jul-12	Depreciation expense	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30-Jun-13	Carrying amount 30-Jun-13
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s		$'000s	$'000s
Group Operational Assets											
At Cost											
Land	59,131	3,490	(233)	37	62,425	-	-	-		-	62,425
Buildings	47,366	4,189	(424)	608	51,739	(8,763)	(1,108)	28		(9,843)	41,896
Building Improvements	27,652	1,449	-	38	29,139	(11,588)	(1,857)	-		(13,445)	15,694
Plant and Equipment	13,817	968	(51)	-	14,734	(4,901)	(1,381)	20		(6,262)	8,472
Motor Vehicles	2,392	172	(59)	-	2,505	(1,601)	(132)	37		(1,696)	809
Furniture and Office Equipment	5,732	3,180	(2)	-	8,910	(3,995)	(807)	-		(4,802)	4,108
Computer Equipment	2,360	152	-	75	2,587	(1,819)	(194)			(2,013)	574
Library Books	3,024	233	-	-	3,257	(2,555)	(304)	-		(2,859)	398
Work in progress	3,535	937	-	(758)	3,714	-	-	-		-	3,714
Total Operational Assets	**165,009**	**14,770**	**(769)**	**-**	**179,010**	**(35,222)**	**(5,783)**	**85**	**-**	**(40,920)**	**138,090**
Airport Assets at Fair Value											
Land	76,065	2,173	-	-	78,238	-	-	-		-	78,238
Land Improvements	1,109	129	-		1,238	(127)	(119)	-		(246)	992
Building	34,984	572	-	-	35,556	(2,547)	(1,279)	-		(3,826)	31,730
Airport Runway	30,670	(647)	(1)		30,022	(1,492)	(1,037)	-		(2,529)	27,493
Roading and Carparking	6,255	26	-	-	6,281	(826)	(400)	-		(1,226)	5,055
Total Airport Assets	**149,083**	**2,253**	**(1)**	**-**	**151,335**	**(4,992)**	**(2,835)**	**-**		**(7,827)**	**143,508**
Group Infrastructural Assets											
Water Supply	84,718	14	-	3,685	88,417	(3,960)	(2,097)	-		(6,057)	82,360
Sewerage	116,365	293	-	760	117,418	(5,924)	(3,054)	-		(8,978)	108,440
Stormwater	72,809	914	-	148	73,871	(2,672)	(1,362)	-		(4,034)	69,837
Roading - Basecourse	63,191	2,208	-	1,328	66,727	(7,436)	(3,789)	-		(11,225)	55,502
Roading - Bridges	29,964	416	-	1	30,381	(855)	(437)	-		(1,292)	29,089
Roading - Surfacing	44,631	5,276	-	1,982	51,889	(457)	(630)	-		(1,087)	50,802
Roading - Other	206,887	7,600	-	6,150	220,637	(4,553)	(2,543)	-		(7,096)	213,541
Land under Roads	103,444	-	-	-	103,444	-	-	-		-	103,444
Work in Progress	30,276	5,248	-	(14,054)	21,470	-	-	-		-	21,470
Total Infrastructural Assets	**752,285**	**21,969**	**-**	**-**	**774,254**	**(25,857)**	**(13,912)**	**-**		**(39,769)**	**734,485**
Total Group Property, Plant and Equipment	**1,066,377**	**38,992**	**(770)**	**-**	**1,104,599**	**(66,071)**	**(22,530)**	**85**	**-**	**(88,516)**	**1,016,083**

The Group's obligation under finance leases(note18)are secured by the lessors' title to the leased assets which have a carrying amount of $Nil (2012: $150,169)

10. Property, Plant and Equipment continued

Group 2012

	Cost/ Valuation 1-Jul-11	Additions	Disposals	Transfers	Transfer (to)/from Investment Property	Revaluation	Cost/ Valuation 30-Jun-12	Accumulated depreciation & impairment charges 1-Jul-11	Accumulated depreciation and impairment charges reversed on revaluation	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer (to)/from Investment Property	Accumulated depreciation and impairment charges 30-Jun-12	Carrying amount 30-Jun-12
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Group Operational Assets														
At Cost														
Land	56,929	2,233	(31)	-		-	59,131	-	-	-	-		-	59,131
Buildings	46,496	828	(2)	38	6	-	47,366	(7,670)	-	(1,047)	1	(47)	(8,763)	38,603
Building Improvements	26,755	466	(3)	249	185	-	27,652	(9,774)	-	(1,816)	2		(11,588)	16,064
Plant and Equipment	11,906	1,972	(61)	-		-	13,817	(3,779)	-	(1,157)	21	14	(4,901)	8,916
Motor Vehicles	2,387	5	-	-		-	2,392	(1,340)	-	(277)	-		(1,617)	775
Furniture and Office Equipment	5,583	173	(24)	-		-	5,732	(3,726)	-	(286)	17		(3,995)	1,737
Computer Equipment	2,151	234	(25)	-		-	2,360	(1,604)	-	(236)	21		(1,819)	541
Library Books	2,804	220	-	-		-	3,024	(2,273)	-	(282)	-		(2,555)	469
Work in progress	3,383	1,046	-	(287)	(607)	-	3,535	-	-	-	-		-	3,535
Total Operational Assets	**158,394**	**7,177**	**(146)**	**-**	**(416)**	**-**	**165,009**	**(30,166)**	**-**	**(5,101)**	**62**	**(33)**	**(35,238)**	**129,771**
Airport Assets at Fair Value														
Land	76,105	(40)	-	-		-	76,065	-	-	-	-		-	76,065
Land Improvements		1,109	-				1,109	-	-	(100)	-		(100)	1,009
Building	31,941	3,043	-	-		-	34,984	(1,287)	-	(1,260)	-		(2,547)	32,437
Airport Runway	29,042	1,628	-	-		-	30,670	(695)	-	(808)	-		(1,503)	29,167
Roading and Carparking	5,784	471	-	-		-	6,255	(423)	-	(403)	-		(826)	5,429
Total Airport Assets	**142,872**	**6,211**	**-**	**-**		**-**	**149,083**	**(2,405)**	**-**	**(2,571)**	**-**		**(4,976)**	**144,107**
Group Infrastructural Assets														
Water Supply	81,629	2,620	-	469		-	84,718	(1,939)	-	(2,021)	-		(3,960)	80,758
Sewerage	114,674	1,481	-	210		-	116,365	(2,920)	-	(3,004)	-		(5,924)	110,441
Stormwater	71,710	834	-	265		-	72,809	(1,329)	-	(1,343)	-		(2,672)	70,137
Roading - Basecourse	61,701	1,406	-	84		-	63,191	(3,682)	-	(3,754)	-		(7,436)	55,755
Roading - Bridges	29,634	323	-	7		-	29,964	(426)	-	(429)	-		(855)	29,109
Roading - Surfacing	42,663	1,869	-	99		-	44,631	(34)	-	(423)	-		(457)	44,174
Roading - Other	195,913	10,480	-	494		-	206,887	(2,213)	-	(2,340)	-		(4,553)	202,334
Land under Roads	103,282	36	-	126		-	103,444	-	-	-	-		-	103,444
Work in Progress	17,477	14,553	-	(1,754)		-	30,276	-	-	-	-		-	30,276
Total Infrastructural Assets	**718,683**	**33,602**	**-**	**-**		**-**	**752,285**	**(12,543)**	**-**	**(13,314)**	**-**		**(25,857)**	**726,428**
Total Group Property, Plant and Equipment	**1,019,949**	**46,990**	**(146)**	**-**	**(416)**	**-**	**1,066,377**	**(45,114)**	**-**	**(20,986)**	**62**	**(33)**	**(66,071)**	**1,000,306**

10. Property, Plant and Equipment continued

(i) Impairment losses are included in the line item 'impairment of non-current assets' in the Statement of Financial Performance. Impairment losses recognised during the period were $Nil (2012: $Nil).

(ii) Sewer, stormwater and water assets are stated at valuation which is optimised depreciated replacement cost value as at 1 July, 2010 by Rationale, independent valuers. Acquisitions subsequent to 1 July, 2010 are at cost.

(iii) Roading assets are stated at valuation, which is optimised depreciated replacement cost value as at 1 July, 2010 by GHD Limited, independent valuers. Bridges and lighting are stated at valuation which is optimised depreciated replacement cost value.

(iv) Airport assets held by QAC comprising land, buildings, runways, and roading and carparking assets were revalued as at 30 June 2010, as set out below. Runway assets are valued by Beca Valuations Ltd. Other airport assets at fair value are valued by Seager and Partners. Acquisitions subsequent to 30 June 2010 are at cost.

Asset	Valuation Approach
Terminal Building	Optimised depreciated replacement costs
Fire Building	Optimised depreciated replacement costs
Runway, Aprons, Roading and carparking	Optimised depreciated replacement costs
Land	Direct comparison/Market Value

11. Forestry Assets

	Council		Group	
	2013	2012	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	700	711
Increases due to purchases	-	-	-	-
Gains/(losses) arising from changes in fair value less estimated point of sales costs attributable to physical changes	-	-	107	110
Gains/(losses) arising from changes in fair value less estimated point of sales costs attributable to price changes	-	-	195	(121)
Balance at end of year	-	-	1,002	700

Through its investment in Lakes Combined Afforestation Trust, the Council owns a 75% share of 191.6 hectares of Douglas Fir forest, which are at varying stages of maturity ranging from 15 to 26 years in age.

No forests have been harvested during the period (2012: Nil).

Independent registered valuers Guild Forestry have valued forestry assets as at 30 June, 2013 at $1,002,000 (30 June, 2012: $700,000). A pre tax discount rate of 8% has been used in discounting the present value of expected cash flows.

Financial Risk Management Strategies

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

12. Intangible Assets

(a) Finite Life Intangible Assets

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at beginning of the year	1,048	688	3,428	2,103
Additions	473	360	726	1,325
Balance at end of the year	1,521	1,048	4,154	3,428
Accumulated amortisation & impairment				
Balance at beginning of the year	596	372	746	481
Amortisation expense (i)	269	224	330	265
Balance at end of the year	865	596	1,076	746
Net Book Value	656	452	3,078	2,682

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

The gross carrying amount of $4,154,000 in the group comprises of the following:

- The Finite Life Intangible Asset of $1,521,000 represents costs incurred by the Queenstown Lakes District Council for computer software. These costs are being amortised on a straight line basis at 33%.
- The Finite Life Intangible Asset of $2,499,000 represents costs incurred by the Queenstown Airport Corporation Limited in relation to district planning costs for extension of noise boundaries and amendments to flight fans. These costs will be amortised on a straight line basis over 15 years from the date they are completed and ready to use.
- The Finite Life Intangible Asset of $74,000 represents costs incurred by Lakes Leisure Limited in relation to Master Plan expenses comprising consulting and architectural costs associated with the development of a 10 year plan for the grounds at Frankton campus. These expenses are capitalised at cost and reviewed annually for potential impairment.
- The Finite Life Intangible Asset of $60,000 represents costs incurred by Lakes Leisure for computer software and website development. These costs are being amortised on a diminishing value basis at 60%.

(b) Goodwill

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at beginning of the year	-	-	2,980	2,980
Additions	-	-	-	-
Balance at end of the year	-	-	2,980	2,980
Accumulated impairment				
Balance at beginning of the year	-	-	-	-
Impairment losses charged to Statement of Financial Performance	-	-	2,980	-
Balance at end of the year	-	-	2,980	-
Net Book Value	-	-	-	2,980
Total Net Book Value of Intangible Assets	656	452	3,078	5,662

Goodwill has arisen from the acquisition of Lakes Environmental Limited on 30 March 2007 of $2,980,000.

Impairment of Goodwill

Lakes Environmental Limited

The carrying value of $2,980,000 of goodwill was recognised as impaired when Lakes Environmental Ltd was reintegrated back to Council on 30 June 2013.

13. Investment Property

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	64,458	66,332	64,458	66,332
Additions from subsequent expenditure	9	2,090	9	2,090
Sale of property	(271)	(130)	(271)	(130)
Reclassified to property, plant and equipment	-	(158)	-	(158)
Reclassified from property, plant and equipment	-	607	-	607
Net gain/(loss) from fair value adjustments	(3,771)	(4,283)	(3,771)	(4,283)
Balance at end of year	60,425	64,458	60,425	64,458

The fair value of the Council's investment property at 30 June, 2013 (30 June, 2012) has been arrived at on the basis of a valuation carried out at that date by Mr Greg Simpson (ANZIV/SPINZ) an independent registered valuer from QV Valuations not related to the Group. The valuation, was arrived at by reference to market evidence of transaction prices for similar properties.

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

14. Trade and Other Payables

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables (i)	7,335	9,158	7,971	11,330
Other accrued charges	2,528	1,622	3,691	3,320
Deposits and bonds	2,454	2,366	2,454	2,366
	12,317	13,146	14,116	17,016

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

15. Borrowings

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At amortised cost				
Bank borrowings (secured) (i), (ii)	35,500	62,500	56,113	84,822
Bonds (secured) (i), (iv), (v)	71,322	40,000	71,322	40,000
Other borrowings (iii)	106	174	106	174
	106,928	102,674	127,541	124,996
Disclosed in the financial statements as:				
Current	45,683	70,068	45,683	70,068
Non-current	61,245	32,606	81,858	54,928
	106,928	102,674	127,541	124,996

(i) Council borrowings are secured through a debenture trust deed over rates.

(ii) Queenstown Airport Corporation Ltd (QAC) loans of $20.6m are secured by a first debenture charge over QAC assets and also a registered first mortgage over all QAC property.

(iii) The Council has an interest free loan from the Energy Efficiency and Conservation Authority which is repayable within 2 years. The balance outstanding at 30 June 2013 was $106,000.

(iv) Bonds (total $30m) - during the 2010/11 year there was one bond issue of $10m with a maturity date of 15/6/2016 and interest rate of 5.79%. During the 2009/10 year there were two bond issues of $10m each, with maturity dates of 11/12/2013, 15/10/2014 and interest rates of 6.62% and 6.87% respectively.

(v) Bonds - New Zealand Local Government Funding Agency.
During the 2012/13 year there were four bond issues of $10m (total $40m), with maturity dates of 15/12/2017,15/3/2019,15/3/2019, 15/5/2021 and interest rates of 3.50%, 4.24%, 3.41% and 4.57% respectively.

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

The Council is one of 30 local authority shareholders and 8 local authority guarantors of the NZLGFA. The uncalled capital of all shareholders is $20m and this is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2013, NZLGFA had borrowings totaling $2,475m (2012: $835m).

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

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

16. Other Financial Liabilities

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Income in advance (i)	1,188	109	1,212	1,109
Rates in advance	395	324	395	324
Interest Rate Swaps (ii), (iii)	1,944	3,229	3,150	5,236
Other Provisions (iv)	1,000	800	1,000	800
	4,527	4,462	5,757	7,469
Represented by:				
Current	2,583	4,462	2,607	5,477
Non Current	1,944	-	3,150	1,992
	4,527	4,462	5,757	7,469

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

(ii) The council holds three interest rate swap agreements, two for $15m and one for $10m, which are effective from 15 September 2010,15 September 2011 and 11 December 2013. The interest rate is fixed at 5.705%, 6.090% and 3.955% respectively.

(iii) QAC holds six interest rate swap agreements for $5m each, which are effective from 1 July 2010, 2 April 2012, 1 July 2013, 4 January 2012, 1 July 2014 and 5 January 2015. The interest rate is fixed at 5.64%, 6.08%, 4.74%, 5.70%, 4.78% and 4.87% respectively.

(iv) This represents estimated losses for claims against Council.

QAC designated the interest rate swaps effective in accordance with NZ IAS 39 in the current year. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve. All financial liabilties are recognised at amortised cost except interest rate swaps which are recognised at Fair Value Through Profit and Loss (FVTPL).

17. Employee Entitlements

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Accrued salary and wages	824	490	878	861
Annual leave	697	447	807	858
	1,521	937	1,685	1,719
Disclosed in the financial statements as:				
Current	1,521	937	1,685	1,719
Non-current	-	-	-	-
	1,521	937	1,685	1,719

18. Finance Lease Liabilities

	Council			
	Minimum Future Lease payments		Present Value of Minimum Future Lease Payments	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not longer than 1 year	-	-	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
Minimum future lease payments*	-	-	-	-
Less future finance charges	-	-	-	-
Present value of minimum lease payments	-	-	-	-
Disclosed in the financial statements as:				
Current			-	-
Non-current			-	-
			-	-

*Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

	Group			
	Minimum Future Lease payments		Present Value of Minimum Future Lease Payments	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not longer than 1 year	-	61	-	50
Longer than 1 year and not longer than 5 years	-	94	-	86
Longer than 5 years	-	-	-	-
Minimum future lease payments*	-	155	-	136
Less future finance charges	-	(19)	-	-
Present value of minimum lease payments	-	136	-	136
Disclosed in the financial statements as:				
Current			-	50
Non-current			-	86
			-	136

19. Reserves

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Revaluation reserve (a)	299,786	303,726	374,774	378,714
Operating reserves (b)	13,940	13,822	13,940	13,822
Capital reserves (c)	11,520	8,665	11,520	8,665
Cash flow hedge reserve (d)	-	-	(396)	(820)
	325,246	326,213	399,838	400,381

(a) Revaluation Reserve

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	303,726	308,103	378,714	383,091
Revaluation of Roading	-	-	-	-
Revaluation of Sewer	-	-	-	-
Revaluation of Water	-	-	-	-
Revaluation of Stormwater	-	-	-	-
Transferred from /(to) retained earnings:				
Revaluation of Investment Property	(3,940)	(4,377)	(3,940)	(4,377)
Balance at end of year	299,786	303,726	374,774	378,714

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

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Individual reserve balances are as follows:				
Investment properties	47,674	51,615	47,674	51,615
Roading	126,687	126,686	126,687	126,686
Sewer	46,015	46,015	46,015	46,015
Water	36,578	36,578	36,578	36,578
Stormwater	42,832	42,832	42,832	42,832
Airport Assets	-	-	74,988	74,988
	299,786	303,726	374,774	378,714

(b) Operating Reserves

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	13,822	13,875	13,822	13,875
Transferred from /(to) retained earnings:				
Contributions	3,312	3,969	3,312	3,969
Other	(3,194)	(4,022)	(3,194)	(4,022)
Balance at end of year	13,940	13,822	13,940	13,822

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

(c) Capital Reserves

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	8,665	13,055	8,665	13,055
Transferred from /(to) retained earnings:				
Interest	1	3	1	3
Contributions	17,091	11,930	17,091	11,930
Disbursements	(14,237)	(16,323)	(14,237)	(16,323)
Balance at end of year	11,520	8,665	11,520	8,665

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

(d) Cash Flow Hedge Reserve

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	(820)	(192)
Gain/(Loss) recognised on cash flow hedges:				
Interest rate swaps	-	-	589	(873)
Income tax related to gains/losses recognised in other comprehensive income	-	-	(165)	245
Balance at end of year	-	-	(396)	(820)

(e) Reserve Funds held for Specific Purpose

	Operating Balance 1 July 2012 $'000	Deposits $'000	Withdrawals $'000	Closing Balance 30 June 2013 $'000
Development Funds	13,822	3,312	(3,194)	13,940
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.				
Asset Renewal Funds	1,258	11,205	(11,224)	1,239
The Council sets aside funding to meet the renewal of its infrastructural and operating assets to ensure the continued ability to provide services.				
Emergency Reserve	1,322	-	-	1,322
Funds set aside to assist with the repair of infrastructural assets such as Roading, Water Supply and Sewerage, in case of natural disaster.				
Asset Sale Reserves	5,297	-	(1,246)	4,051
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.				
Arrowtown Endowment Land Reserve	740	-	-	740
Proceeds from asset sales from Arrowtown endowment land.				
Trust Funds	16	-	-	16
Funds held on behalf of various community organisations.				
Sinking Funds	32	1	(33)	-
Funds held to manage historic debt servicing on 3 waters loans.				
Queenstown Airport Dividend Reserve	-	2,690	(1,734)	956
Unallocated portion of dividends received from QAC.				
Lakes Leisure Reserve	-	3,196	-	3,196
Funds transferred from Lakes Leisure at dis-establishment that are to be used to fund charitable purposes in line with the company's constitution.				
Total Council Reserve Funds	**22,487**	**20,404**	**(17,431)**	**25,460**
QAC Cash Flow Hedge Reserve	(821)	589	(165)	(396)
Total Group Reserve Funds	**21,666**	**20,993**	**(17,596)**	**25,064**

20. Retained Earnings

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	484,619	461,109	499,287	474,485
Net surplus/(deficit)	11,454	14,690	8,718	15,982
Transfers from/(to) reserves:				
Revaluation reserve	3,940	4,377	3,940	4,377
Operating reserves	(118)	53	(118)	53
Capital reserves	(2,855)	4,390	(2,855)	4,390
Balance at end of year	497,040	484,619	508,972	499,287

21. Non Controlling Interest

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	-	-	30,238	30,230
Share of Surplus/(Deficit) for the year	-	-	1,395	1,290
Dividends paid	-	-	(896)	(1,072)
Share of other comprehensive income	-	-	141	(210)
Balance at end of year	-	-	30,878	30,238

22. Commitments for Expenditure

(a) Capital Expenditure Commitments

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Queenstown Lakes District Council (i)	3,687	3,703	3,687	3,703
Queenstown Airport Corporation Limited	-	-	725	3,434
	3,687	3,703	4,412	7,137

(i) The resource consents, which enable the Council to operate the seven refuse tips throughout the district expired on 30 June 1999. The Council has responsibility under the resource consents to provide on-going maintenance and monitoring of the tips after they close. No provision for the costs of these closures and its post closure responsibilities has been made.

(b) Lease Commitments

Finance lease liabilities are disclosed in Note 18 and non-cancellable operating lease commitments are disclosed in Note 24 to the financial statements.

23. Contingent Liabilities and Contingent Assets

Council

(a) Legal Claims

A total of four building related legal claims were received for buildings within the district at 30 June 2013. Council has been joined as a party in all of these claims, all of which were in respect of alleged weathertightness building defects. The total of the claims is $11.9m. Claims are dealt with on a case by case basis. Council's liability in relation to these claims has not been established and it is not possible to determine the outcome of the claims at this stage. A loss provision of $1.0m has been recognised based on current knowledge (note 16). Note that any claims received subsequent to 30 June 2009 are not covered by insurance. Other claims covered by insurance are subject to a cap as to the level of cover provided.

(b) Guarantees

Queenstown Lakes Community Housing Trust entered into a suspensory loan agreement with Housing New Zealand Corporation. This loan has a facility limit of $2m. The loan is secured over land owned by Council and a guarantee has been provided by the Council. Queenstown Lakes District Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+. See Note 15 (v) for further details.

(c) Employment Claims

Council is currently involved in three employment disputes which it is defending. The likely cost of these to council, if any, is unknown. Any cost in relation to these would be expensed to the statement of financial performance when incurred.

24. Leases

(a) Leasing Arrangements

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

(b) Non-Cancellable Operating Lease Payments

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not longer than 1 year	659	789	675	1,353
Longer than 1 year and not longer than 5 years	930	1,236	976	1,665
Longer than 5 years	904	916	904	916
	2,493	2,941	2,555	3,934

(c) Non-Cancellable Operating Lease Receipts

	Council		Group	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Not longer than 1 year	1,507	1,633	5,374	4,190
Longer than 1 year and not longer than 5 years	693	2,051	12,700	7,818
Longer than 5 years	-	-	5,986	3,305
	2,200	3,684	24,060	15,313

25. Subsidiaries

	Country of Incorporation	**Ownership** Interest **2013** %	**2012** %	Principal activity of the entity
Council				
Queenstown Lakes District Council (i)	NZ			
Subsidiaries:				
Queenstown Airport Corporation Limited (ii)	NZ	75.01%	75.01%	Airport Operator
Lakes Environmental Limited	NZ	100%	100%	Resource management, Regulatory & consulting services
Queenstown Events Centre Trust (iii)	NZ	N/A	N/A	Charitable Trust
Lakes Combined Afforestation Committee	NZ	75%	75%	Forestry
Lakes Leisure Limited	NZ	100%	100%	Leisure Management

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

(ii) On 22 August 2012 a final dividend for the year ended 30 June 2012 of $0.1610 per share (total dividend $2,586,506) was paid to holders of fully paid ordinary shares. Council's share of this dividend was $1,940,138.

On 31 January 2013 an interim dividend for the year ended 30 June 2013 of $0.0622 per share (total dividend of $1,000,000) was paid to holders of fully paid ordinary shares. Council's share of this dividend was $750,100.

(iii) Not trading

All entities in the Group have 30 June balance dates.

Re–Integration of Council Controlled Organisation

On 20 March 2013, Queenstown Lakes District Council (Council) resolved to re-integrate the operations of two of QLDC's Council Controlled Organisations, Lakes Leisure Limited and Lakes Environmental Limited into Council. The assets and liabilities of the Company were transferred to QLDC on 30 June 2013.

Financial information in respect of the net assets transferred on re-integration with QLDC in the year ended 30 June, 2013 is set out below:

Net Assets Transferred	**Book** Value **$'000**	Fair Value Adjustment **$'000**	Fair Value on **Acquisition** **$'000**
Current assets:			
Cash and cash equivalents	1,414	-	1,414
Trade and other receivables	700	-	700
Inventories	24	-	24
Current tax refundable	68	-	68
Non-current assets:			
Property, plant and equipment	3,917	-	3,917
Current liabilities:			
Trade and other payables	(1,073)	-	(1,073)
Other financial liabilities	(1,048)	-	(1,048)
Employee entitlements	(688)	-	(688)
Net Assets Acquired	3,314	-	3,314
Consideration for transfer			(3,196)
Residual investment in CCO's			118

Pursuant to shareholder resolution, the residual net assets of Lakes Leisure of $3.196m, have been credited across to QLDC into a reserve fund. Refer Note 19(e).

26. Related Party Disclosures

(a) Council

The Council is the ultimate parent of the Group.

(b) Equity Interests in Related Parties

Equity Interests in Subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

(c) Transactions With Related Parties

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

The following transactions took place between Council and related parties:	Group 2013 $'000	2012 $'00
Queenstown Airport Corporation Limited		
Payment of rates on its property	259	227
Resource consent costs	202	258
Consultants	-	40
Parking Infringement Recovery	(15)	(16)
Wanaka Airport Management Fee	(70)	(70)
Dividends	2,690	3,216
Lakes Leisure Limited		
Operating Grant	(2,270)	(2,207)
Capital Grant	(392)	(928)
Other Grants	(285)	(277)
Health & Fitness Centre Lease	89	78
Venue Hire	(21)	(18)
Reimbursement, rent and insurance	1	28
Lakes Environmental Limited		
Council Payment for services under the terms of a service delivery agreement	(1,604)	(1,584)
Council payment for services in relation to commercial activities	(467)	(402)
Council recovery of acquisition related costs, parking and computer related services	152	106
Balances owed (to) / from at 30 June 2013 were:		
Owed from Lakes Leisure Limited	-	21
Owed to Lakes Leisure Limited	-	(96)
Owed from Lakes Environmental Limited	-	30
Owed to Lakes Environmental Limited	(68)	(39)
Owed from Queenstown Airport Corporation Ltd	-	36
Owed to Queenstown Airport Corporation Ltd	(18)	(18)
The following transactions took place between Council and Councillors or senior management which were for other than normal ratepayer obligations and user charges:		
Mannmade Events (Councillor Mann - Director)	(1)	(2)

*** Leigh Overton who is a Councillor in Queenstown Lakes District Council owns shares in Auckland International Airport which has non controlling interest in Queenstown Airport Corporation Ltd.**

	2013 $'000	2012 $'000
The following transactions took place between Queenstown Airport Corporation and related parties:		
Trojan Holdings Ltd (M Valentine - Director) - Rubbish removal	(52)	(53)
Trojan Holdings Ltd (M Valentine - Director) - Rental income	38	37
Hadley Consultants Limited (J Hadley - Director) - Consulting	(13)	(60)
Lakes Enviromental Ltd - Consent Costs and Fees	(32)	(41)
Lakes Leisure Ltd - Rescue Fire Training	-	(3)
G Lilly (Director) - CAA	(4)	8
Auckland International Airport - Secondment Costs	-	(22)
Auckland International Airport - Recovery of Sponsorship	-	4
Alpine Deer Group Limited (M Valentine -Director)- Landing Revenue	2	-
Balances owed (to) / from at 30 June 2013 were:		
Owed to Trojan Holdings Ltd	-	5
Owed to Lakes Environmental Ltd	-	13
Owed to CAA	-	3
Owed to Auckland International Airport	1	-
The following transactions took place between Lakes Leisure Ltd and related parties:		
Advantage Plumbing Ltd (P Faul - Director) - Plumbing maintenance services	(6)	(11)
Queenstown Job Agency (W Evans - Director) - Contract Staff	(60)	(129)
Lakes Environmental Ltd - Supplies services for commercial activities	(5)	(4)
Queenstown Airport Corporation Ltd - Rescue Fire Services	35	3
The following transactions took place between Lakes Environmental Ltd and related parties:		
Queenstown Airport Corporation Ltd - Consent Costs and Fees	37	41
Lakes Leisure Ltd - Supplies services for commercial activities	5	4
Owed from Queenstown Airport Corporation Ltd	-	(13)

Other Transactions Involving Related Parties

1. Lakes Leisure's netball courts and six holes of the Frankton golf course managed by Lakes Leisure are located on QAC land to the north west of the runway. Negotiations between Lakes Leisure and QAC for lease of the land are continuing. Revenue from this arrangement amounted to $25,000 in the year (2012;$Nil).

2. QAC holds a bond with Westpac for $150,000 in favour of QLDC related to a resource consent to extract gravel and carry out remediation work on land (RM090321). The bond will be discharged once the work is complete.

3. QAC receives services, including Human Resources, from Auckland International Airport Ltd for which no consideration is paid.

Transactions Eliminated on Consolidation

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

27. Subsequent Events

Queenstown Airport Corporation Ltd (QAC)

On 16 August 2013 the QAC Board resolved to pay a final dividend for the year ended 30 June 2013 of $0.1643 per share, resulting in a dividend of $2,639,884 (2012: $2,586,506). Council's share of this dividend will be $1,980,177 (2012: $1,940,138).

There were no other significant events after balance date.

28. Notes to the Cash Flow Statement

	Council		Group	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(a) Reconciliation of Cash and Cash Equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, cash in bank and other short-term highly liquid deposits that are readily convertible to a known amount of cash, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Statement of Financial Position as follows:				
Cash and cash equivalents	1,795	1,240	1,872	3,359
Bank Overdraft	-	-	-	-
	1,795	1,240	1,872	3,359
(b) Borrowings - Facilities				
Details of the amounts drawn down on the available borrowing facility are as follows:				
Amount used	105,500	102,500	126,113	124,821
Amount un-used	14,500	17,500	23,887	28,254
	120,000	120,000	150,000	153,075

28. Notes to the Cash Flow Statement continued

	Council		Group	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
(c) Reconciliation of Surplus/(Deficit) for the Period to Net Cash Flows From Operating activities				
Surplus/(Deficit) for the period	11,454	14,690	10,113	17,272
Add/(less) non-cash items:				
Depreciation and Amortisation	18,051	17,397	22,861	21,249
Loss provision	200	290	200	290
Vested assets	(2,396)	(5,220)	(2,396)	(5,220)
(Gain)/loss on sale of property, plant & equipment	40	-	40	17
(Gain)/loss on revaluation of forestry investment	(227)	8	(303)	11
(Gain)/loss on revaluation of investment property	3,771	4,283	3,771	4,283
(Gain)/loss on sale of investment property	(241)	(263)	(241)	(263)
Net change in fair value of derivative financial instruments	(1,284)	1,212	(1,292)	1,223
Impairment of Goodwill	-	-	2,980	-
(Gain)/Loss on revaluation of shares	4	35	4	35
Impairment of investment in subsidiary	1,812	-	-	-
(Gain) on transfer of Lakes Leisure suplus net assets	(3,196)	-	-	-
	27,988	32,432	35,737	38,897
Movement in working capital:				
Trade and other receivables	1,172	(1,511)	532	(1,036)
Inventories	-	-	16	(13)
Current tax refundable/payable	-	-	727	(181)
Other current assets	19	(542)	18	(490)
Deferred tax asset/liability	-	-	(350)	140
Trade and other payables	(1,901)	1,994	(2,900)	1,807
Employee entitlements	(104)	131	(93)	127
Other financial liabilities	101	(1,749)	91	(1,854)
	(713)	(1,677)	(1,959)	(1,500)
Movement in items treated as investing activities	2,299	(2,523)	3,069	(1,219)
Net Cash inflow from operating activities	29,574	28,232	36,847	36,178

29. Severance Payments

For the year ended 30 June 2013 Council made no severance payments to employees (2012: NIL).

Lakes Environmental Limited made a payment of $55,000 to the former Chief Executive Officer in the period to 30 June 2013, representing the equivalent payment to that set out in the contractual notice period.

Lakes Leisure Limited made a one off payment of $30,000 to the former Chief Executive Officer upon her resignation. This payment was outside the scope of the employment contract with the Company.

30. Remuneration (Council Only)

During the year to 30 June, 2013, the total remuneration and value of other non-financial benefits received by or payable to the Elected Representatives, Chief Executive, and staff of the Council were as follows:

	Council	
Elected Representatives	**2013**	**2012**
	$	**$**
Council		
Vanessa van Uden - Mayor	100,500	96,700
Lyal Cocks - Deputy Mayor/ Councillor Wanaka/Chair Infrastructure	48,997	48,997
Cath Gilmour - Councillor Wakatipu /Chair Community Services	40,102	40,102
John Mann - Councillor Wakatipu/Chair Finance and Corporate Accountability	40,102	40,102
Mel Gazzard - Councillor Wakatipu	29,165	29,165
Leigh Overton - Councillor Wanaka/Chair Strategy	40,102	40,102
Lex Perkins - Councillor Arrowtown	29,165	29,165
Jude Battson - Councillor Wanaka	29,165	29,165
Russell Mawhinney - Councillor Wakatipu	29,165	29,165
Trevor Tattersfield - Councillor Wakatipu	29,165	29,165
Simon Stamers-Smith - Councillor Wakatipu	29,165	29,165
Wanaka Community Board		
Ken Copland - Board Member	12,249	12,249
Dick Kane - Board Member	12,249	12,249
Bryan Lloyd - Board Member	12,249	12,249
Mike O'Connor - Board Member	12,249	12,249

Chief Executive

For the year ended 30 June 2013, the total annual cost including fringe benefit tax to the Council of the remuneration package being received by the Chief Executive appointed under Section 42 of the Local Government Act 2002 is calculated at $251,433 (2012: $312,500). This is made up of $41,693 paid to Stewart Burns, the Acting Chief Executive from 1 July to 22 October 2012 and $209,740 paid to Adam Feeley from 23 October 2012 to 30 June 2013.

Employee staffing levels and remuneration

The number of employees who were employed by Queenstown Lakes District Council at 30/06/2013 was 138 (143 at 30/06/2012). The number of full-time employees and full time equivalents of all the other employees as at 30/06/2013 was 88, and 30 respectively (98 and 25 at 30/06/2012).

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

	2013	2012
< $60,000	89	94
$60,001 to $80,000	16	19
$80,001 to $100,000	20	17
$100,001 to $140,000	7	9
> $140,000	6	4
Total # of Employees	138	143

31. Emissions Trading Scheme

Forestry

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

2013	Pre 1990 Forest	Total
Productive area (hectares)	296	296
Opening Balance NZUs allocated/transferred during the year	6,808 10,952	6,808 10,952
NZUs on hand at balance date	17,760	17,760

Under the ETS liabilities can accrue as follows:

Pre 1990 Forests: Liabilities accrue if the pre 1990 forest land is deforested and not replanted. Council does not anticipate any future liabilities will arise in relation to pre 1990 forest land.

32. Explanation of Major Variances against Budget

Explanation of major variations from Council's estimated figures in the 2012/13 budget as reflected in the 2012/13 Annual Plan are as follows:

Statement of Financial Performance

The Council alone recorded a surplus of $11.4m for the year. This is down from the $14.7m surplus recorded last year and against the budget of $17.9m. The main reasons for the lower surplus are related to the following unbudgeted accounting adjustments which total $6.5m:

1. There is $4.1m of project expenditure that was classified as capital expenditure within the budget but has been charged as an operating expense for the year. This is not an over-spend as there is budget provided to cover it. This includes $3.6m of expenditure previously sitting in capital work in progress that relates to projects that will now not proceed.
2. The surplus includes $3.8m of unrealised losses pertaining to the annual revaluation of investment property. This follows a 2012 value reduction of $4.3m.
3. There is a $1.8m of impairment (loss of value) relating to the council's investment in Lakes Environmental as a result of the decision to dis-establish the company.
4. There is a $3.2m gain as a result of the transfer of net assets from Lakes Leisure at disestablishment.

Operating revenues were below budget by 5.1% for the year ended 30 June, 2013. This was below estimate by $5.1m. The following major items (all relating to capital expenditure) contributed to this variance:

- Vested Assets were $6.7m below budget for the year; this a non-cash item and relates to the value of assets transferred to Council via the subdivision process.
- Roading subsidy was $2.2m under budget for the year, mainly as a result of reduced roading capital expenditure due to the timing and deferral of some projects.
- Grants were $3.2m ahead of budget for the year, mainly as a result of external contributions to the Memorial Hall upgrade and purchase of the Pisa Snow farm.
- Development contribution income was below budget by $1.1m for the year principally because of lower than expected development activity.

Before the adjustments (1 to 4) above, operating expenditure was $3.5m (4.4%) under budget for the year ended 30 June 2013. This is very pleasing and means that we were able to deliver savings from an operating perspective.

These are the major items; mostly positive, that contributed to this variance:

- Interest expense for the year is $1.5m less than budget. This is a result of the deferral of some capital works and lower than expected interest rates.
- Staff related costs for the year are $0.3m lower than budget. This is a result of fewer staff being employed and modest increases to remuneration for the year.
- Depreciation expense for the year is $1.1m lower than budget. This is a non-cash item and relates primarily to the timing of project expenditure and lower than anticipated levels of vested assets.
- The balance of the positive variance of $0.6m relates primarily to reduced maintenance and operational costs for utilities, roading and community services.

Statement of Financial Position

The main variance relates to the difference in expected capital expenditure for the year. Capital expenditure was below estimate by $16.1m for the year ended 30 June 2013. The following major items contributed to this variance:

- Vested Assets were $6.7m below budget for the year.
- There is $4.4m of project expenditure within the within the water supply activity which has been delayed or deferred. These projects include Leary's Gully Pump station ($0.65m); UV treatment at Queenstown in-takes ($0.68m); upgrades to Hawea scheme ($0.64m), as well as the upgrade to the SCADA system and various water demand projects.
- There is $3.6m of project expenditure within the roading activity which has been delayed or deferred. This includes the Frankton Flats arterial road ($3.5m) and various upgrades and rehabilitation projects incomplete at year end: Cardrona; Arthurs Point; and Ardmore/Brownston Streets.
- There is also $1.2m of project expenditure within the Stormwater activity which has been delayed or deferred. Most of the budget is for the Glenda Drive interceptor ($0.62m) was not spent and has been carried forward.
- There is also $0.95m of project expenditure within the overhead activity which has been delayed or deferred. This mainly relates to the timing of the new enterprise system project ($0.6m) and office alterations ($0.38m), both of which have been carried forward to 2013/14.

The revaluation of investment property resulted in an unbudgeted reduction in value of $3.7m for the year. This movement coupled with previous unrealised losses, has lead to the main variation in the balance sheet which shows Investment Property $5.9m below the forecast position.

Borrowings are $21m below forecast; this positive variance relates mainly to the deferral and savings associated with capital projects (see above).

Statement of Changes in Equity

Accumulated differences between actual and budgeted net surpluses (for 2013 as described above and for 2012) has resulted in an equity variance of $17m below forecast.

Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Cash Flow Statement, particularly cash flows from investing and financing activities. Purchase of property, plant and equipment (i.e. capital expenditure) was $8.3 million below estimate and new borrowings were consequently around $8.8 million less than expected.

33. Financial Instruments

(a) Capital Risk Management

The Council's capital is its equity (or ratepayer's funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Public equity is largely managed as a by product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted by the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major asset classes detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meets the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies.

The Group's overall strategy remains unchanged from 2012.

(b) Significant Accounting Policies

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

(c) Categories of Financial Instruments

	Council		Group	
	2013	**2012**	**2013**	**2012**
For the Financial Year Ended 30 June 2013	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets				
Cash and cash equivalents (AC)	1,795	1,240	1,872	3,359
Trade and other receivables (AC)	9,403	9,876	11,123	11,731
Other financial assets (AC)	472	504	472	504
Other financial assets (FVTPL)	-	-	-	7
Other financial assets (AFS)	676	48	676	48
Financial Liabilities				
Trade and other payables (AC)	12,317	13,146	14,116	17,016
Borrowings (AC)	106,928	102,674	127,541	124,996
Finance Lease liabilities (AC)	-	-	-	136
Other financial liabilities (AC)	1,583	433	1,607	1,433
Other financial liabilities (FVTPL)	1,944	3,229	3,150	5,236

AC = Amortised Cost, FVTPL = Fair Value Through Profit and Loss, AFS = Available For Sale

(d) Financial Risk Management Objectives

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

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

(e) Interest Rate Risk

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

Sensitivity Analysis

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

The Council and Group is not exposed to Foreign Currency risk or Equity Price risk.

The impact to Profit for the Period and Total Equity as a result of a 50 basis point increase in interest rates is as follows (note () represents a loss in the table below):

		Council				Group			
	Note	**2013**		**2012**		**2013**		**2012**	
		$'000		**$'000**		**$'000**		**$'000**	
		+50 bps		**+50 bps**		**+50 bps**		**+50 bps**	
Interest Rate Risk		**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**
Financial Liabilities:									
Borrowings	(i)	(27)	(27)	(12)	(12)	(31)	(31)	(13)	(13)
		(27)	(27)	(12)	(12)	(31)	(31)	(13)	(13)

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

(i) Secured Loans
Council has floating rate debt with a principal amount totalling $5,500,000 (2012: $2,500,000).

33. Financial Instruments continued

(f) Credit Risk

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

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

The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 15 (v).

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

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

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

	Maximum Credit Risk	
	2013	2012
For the Financial Year Ended 30 June 2013	$'000	$'000
Council		
Financial Assets and Other Credit Exposures	12,346	11,668
Group		
Financial Assets and Other Credit Exposures	14,143	15,649

(g) Liquidity Risk Management

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 28 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 15 (v).

(h) Fair Value of Financial Instruments

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

Fair value measurements recognised in the Statement of Financial Performance

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

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

	2013			
For the Financial Year Ended 30 June 2013	Total	Level 1	Level 2	Level 3
Council	$'000	$'000	$'000	$'000
Financial Assets				
Other Investments	676	-	-	676
Financial Liabilities				
Derivatives	1,944	-	1,944	-
Group				
Financial Assets				
Other Investments	676	-	-	676
Financial Liabilities				
Derivatives	3,150	-	3,150	-

33. Financial Instruments continued

For the Financial Year Ended 30 June 2012	2012 Total			
Council	**$'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Financial Assets				
Derivatives	-	-	-	-
Other Investments	48	-	-	48
Financial Liabilities				
Derivatives	3,229	-	3,229	-
Group				
Financial Assets				
Derivatives	7	-	7	-
Other Investments	48	-	-	48
Financial Liabilities				
Derivatives	5,236	-	5,236	-

33. Financial Instruments continued

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

2013 Council	Weighted Average Effective Interest Rate %	Carrying Amount $'000	Undiscounted Contractual Cash Flows $'000	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000
Financial Liabilities									
Trade and other payables	-	12,317	12,317	12,317	-	-	-	-	-
Borrowings	5.13%	106,928	119,370	49,173	12,569	12,244	11,699	1,519	32,167
Other Financial Liabilities	-	1,583	1,583	1,583	-	-	-	-	-
		120,828	133,270	63,073	12,569	12,244	11,699	1,519	32,167

2012 Council	Weighted Average Effective Interest Rate %	Carrying Amount $'000	Undiscounted Contractual Cash Flows $'000	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000
Financial Liabilities									
Trade and other payables	-	13,146	13,146	13,146	-	-	-	-	-
Borrowings	5.13%	102,674	108,751	75,747	11,616	10,833	10,555	-	-
Other Financial Liabilities	-	433	433	433	-	-	-	-	-
		116,253	122,330	89,326	11,616	10,833	10,555	-	-

33. Financial Instruments continued

2013 Group	Weighted Average Effective Interest Rate %	Carrying Amount $'000	Undiscounted Contractual Cash Flows $'000	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000
Financial Liabilities									
Trade and other payables	-	14,116	14,116	14,116	-	-	-	-	-
Borrowings	4.95%	127,541	140,791	70,594	12,569	12,244	11,699	1,519	32,167
Other Financial Liabilities	-	1,607	1,607	1,607	-	-	-	-	-
		143,264	**156,514**	**86,317**	**12,569**	**12,244**	**11,699**	**1,519**	**32,167**

2012 Group	Weighted Average Effective Interest Rate %	Carrying Amount $'000	Undiscounted Contractual Cash Flows $'000	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000
Financial Liabilities									
Trade and other payables	-	17,016	17,016	17,016	-	-	-	-	-
Borrowings	4.95%	124,996	132,267	96,478	11,745	12,986	11,058	-	-
Finance Lease Liabilities	10.85%	136	155	61	35	35	24	-	-
Other Financial Liabilities	-	1,433	1,433	1,433	-	-	-	-	-
		143,581	**150,871**	**114,988**	**11,780**	**13,021**	**11,082**	**-**	**-**

Introduction

The following statements set out how we performed against the financial and service performance objectives that appear in the 2013-14 Annual Plan and the 2012-22 Ten Year Plan. Please note that a review of the suite of measures was undertaken in 2012 and a number of the measures, as reported here, are new measures that do not have a comparative from 2011/12.

Chief Executive Report

The report covers a number of key points regarding the Council performance for the 2012-13 period. These include financial results, project delivery, commentary on the Ten Year Plan and the issue of affordability, overall performance and project highlights.

Residents Survey - August 2013

Every year the Council undertakes a satisfaction survey of residents and ratepayers. The results of this annual survey are used to report on specific performance measures with the Council setting percental targets to achieve.

The survey has a five point rating system to provide respondents with the option of a mid-point response, considered 'best practise' in terms of research. This mid-point allows respondents to choose a 'neutral' (or ambivalent) response, rather than being forced into reporting satisfaction or dissatisfaction (where such feelings may not be present). This move away from the 'forced choice' design used in previous years means the range of results provide a more precise measure of community views, going forward.

Questionnaires were mailed out to 3300 randomly selected residents and to 1000 absentee owners from the Queenstown Lakes District. An additional phone survey was conducted to target individuals aged 18-35. The response rate of 18.7% (805 responses) was an improvement on the 2012 response of 17.2% (736 responses). This year invited residents and ratepayers were given the opportunity to complete the survey online which may have resulted in the increased response.

Overall satisfaction with Queenstown Lakes District staff improved when compared to 2012 and demonstrated the second highest level of satisfaction since 2002.

The results were independently processed by Research First Limited. The maximum margin of error from the sample is 'plus' or 'minus' 3.4%.

Quality Management

The Council has measures in place for monitoring and improving the quality of the services it provides. Where measured, these are reported within the appropriate Statement of Service Performance.

Relationship with Maori

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

The Council has developed a good working relationship with Ngai Tahu, which holds strong cultural and business interests in our community. The Council has in place a Resource Consent protocol with KTKO Limited and a MOU with Te Ao Marama Incorporated to facilitate the involvement of Maori in the resource consent process.

The Council is mindful of the wider issue of Maori consultation and how the Council can assist the Iwi to become more involved and informed about the Council and its communities and in turn how the Council can learn more about Maori culture and protocols.

In the 2012/13 year Council has held a hui with Maori on the role of iwi in the Shaping Our Future Engagement process and consulted over a number of projects including Project Shotover, the Luggate Disposal of Sludge to Land Project and in general there has been constructive interaction on water and waste issues. An elected member (Councillor Lex Perkins) represents the Council at regular Te Ao Marama huis. Council is exploring new ways to further develop the relationship and a hui is planned for the next 12 months.

The Local Government Act 2002 introduced a new requirement to identify community outcomes for the Queenstown Lakes District. This requirement has now been repealed but Council considers the outcomes remain an important part of the Council's Strategic Performance Framework.

Queenstown Lakes District Community Outcomes

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

Monitoring

The Council has developed a Strategic Performance Framework that includes Community Outcomes which feed into Council Priorities, levels of service, which in turn feed into all Council activities. Council is undertaking a review of the Strategic Performance Framework commencing in 2013.

What has changed?

A review of local government in 2010 has resulted in changes to the approach to community outcomes required in the LGA.

The key changes are:

- Council is no longer required to facilitate and coordinate community outcome processes, including the review, monitoring and reporting of these outcomes.
- The meaning of community outcomes has changed to include only Council's planned contribution to the wellbeing of it's district in the present and for the future.
- It is up to Council to identify what process will be used to determine community outcomes however they must be disclosed in the 10-Year Plan.

Note: Please refer to the Councils 10-Year Plan Volume 2 for performance frameworks, which have been reviewed 2012 .

The Governance activity includes:

- Community Leadership and Engagement

Community Leadership and Engagement

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

Simply stated, this activity enables the exercise of powers to rate property owners and to use those funds in the wider public interest, enhancing the well-being of the community, establishing a strategic direction and advocating for and on behalf of the community.

Our Goals

- To facilitate the democratic process through an effective elected system of Government comprising the Mayor, Councillors and Wanaka Community Board Members.
- To ensure that all Council's policies are developed and implemented in an effective and co-ordinated manner.
- To facilitate communication between the Council, the Wanaka Community Board and the wider community.
- To comply with all statutory obligations including the District Plan, Long Term Plan, Annual Plan, Annual Report and statutory reporting requirements in a timely and accurate manner with appropriate public consultation.

Accountability

Measure	Target	Achievement
Community satisfaction with overall elected member performance. (Annual Residents Satisfaction Survey 2013)	80%	58.3% of residents said they were satisfied with elected member performance, an increase of 18% on satisfaction reported in 2012. 23.2% remained neutral, whilst 18.5% said they were dissatisfied. A number of factors are likely to have influenced this outcome including: continuation of improved Annual Plan affordability, debt reduction, zero rates increase, bringing the CCO's back 'in house' and the Organisational Review.
Community satisfaction with overall Council performance. (Annual Residents Satisfaction Survey 2013)	65%	67.8% of residents were satisfied with Council staff, 19.9% were neutral and 12.3% dissatisfied. Satisfaction has increased by 21% since 2012. A number of factors are likely to have influenced this outcome including: continuation of improved Annual Plan affordability, debt reduction, zero rates increase and the Organisational Review. Council is also actively seeking to build and enhance customer service.
Community satisfaction with overall District pride. (Annual Residents Satisfaction Survey 2013)	80%	97.1% of residents said they were always proud of the district, which demonstrates an increase in satisfaction from 88.7% as reported in 2012. This is an outstanding outcome, which can be attributed to a number of influences that potentially include : ongoing District Plan Review, improved levels of service around street cleaning, enhanced rubbish and recycling services, investment in trails and events.
Satisfaction with Council's consultation. (Annual Residents Satisfaction Survey 2013)	55%	53.4% of residents were satisfied with Council's consultation, an increase of 9% since 2012. 21.1% of residents remained neutral and 25.5% were dissatisfied. Council is continuing to enhance consultation methods, utilising online consultation more ie 2013-14 Annual Plan and Shaping Our Future Forums, which have delivered outcomes including increased events funding and the proposed economic development strategy. (76.8% 2012)
Community feels well informed on matters that affect them (Annual Residents Satisfaction Survey)	65%	61.6% of residents were satisfied with how well they have been kept informed, an increase from 53.3% reported in 2012. Neutral responses dropped from 30.6% in 2012 to 18.3%. Council continues to grow both the website and social media presence. In addition to this the Council newsletter Scuttlebutt continues to be the preferred source of Council information, although Councils Communication Framework dictates messaging through multiple mediums. (76.8% 2012)
Website benchmark score (scored out of a possible 100%)	80%	67% 2013 ALGIM Website Audit The 2013 ALGIM Council Website Rankings improved the QLDC ranking from 21 in 2012 to 20 in 2013 from 78 other local government websites. Note website review is now underway 2013/14.

Governance Summary of Forecasted Financial Performance			
Actual 2011/12		Actual 2012/13	LTP 2012/13
$000	**Expenditure**	$000	$000
3,970	Governance	5,870	4,155
400	Community Engagement	374	365
4,370	**Operating Costs**	6,244	4,520
3,224	**Group Activity Income**	5,901	2,492
1,146	**Net Cost/(Surplus) of Service**	**343**	**2,028**
-	**Capital Expenditure**	-	-
1,146	**Funding Required/(Generated)**	**343**	**2,028**
	Funded By:-		
2,464	Targeted Rates	4,298	4,307
1,898	General Rates	119	-
(3,216)	Transfers (to)/from Reserves	(4,074)	(2,279)
1,146	**Total Funding**	**343**	**2,028**
	Activity Income Includes (1)		
3,216	Dividends received	2,690	2,479
8	Other	15	13
-	Other gains/(losses)	3,196	-
3,224	**Total Activity Income**	**5,901**	**2,492**

Significant Cost of Service Variances

The net cost of service includes a $1.8m of impairment (loss of value) relating to the council's investment in Lakes Environmental as a result of the decision to dis-establish the company. Within other gains/losses is $3.2m, which represents the calue of net assets transferred from Lakes Leisure at disestablishment.

Significant Capital Expenditure

Not Applicable.

Significant Capital Expenditure Variances

Not Applicable.

This includes:

- Tourism Promotion
- Council Land
- Forestry
- Wanaka Airport
- Camping Grounds
- Housing

Tourism Promotion

This activity supports the commercial interests of the district by collecting tourism promotional funding and providing it to the representative bodies of those commercial interests for distribution through targeted promotion. Tourism is this district's single biggest economic driver.

Our Accountability

To ensure that the promotional bodies enjoy the ongoing confidence of the commercial ratepayers, all of who are members. Our measure is to assure that strategy, (high yield, seasonality and long stay) is progressed.

Measure	Target	Achievement
Annual visitor spend is increasing (Queenstown)	$1B	Access to accurate visitor spend data will not be available until next year when the new dataset 'Regional Tourism Indicators' will have completed a full financial year.
Annual visitor bed nights increase (Queenstown)	2.6m guest nights (3% increase per annum as per DQ target)	Queenstown's overall guest nights were up 7.2% for the year ended June 2013 compared with the previous year. International guest nights were up 8.4% and domestic guest nights increased by 4.8%. Queenstown enjoyed sustained growth through the year, setting new guest night records for several months. (1.3% 2012)

Council Land

The Council is involved in this activity to provide the maximum possible return and benefit for the community. The Council portfolio includes residential and commercial subdivisions, freehold land, leased camping grounds, reserve land, airports and rental properties.

Forestry

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

Wanaka Airport

Airports are the drivers of economic growth and Wanaka Airport is set to experience significant growth over the next 30 years. The Airport is a business hub for the Wanaka community and the host of the internationally recognised biannual Warbirds over Wanaka.

Camping Grounds

Council involvement in camping grounds has traditionally assisted to ensure an affordable accommodation option is available, while giving a regular and market based income from both leased camps and the Council managed Queenstown Lakeview Holiday Park.

The nature and scale of the Queenstown Lakes District Council's role in the future operation of camp grounds continued to be under review 2012/13. A report into camp grounds found that financial performance was mixed. Overall the holiday parks and campgrounds lose money and visitor accommodation is therefore effectively being subsidised by ratepayers.

The Council elected in March 2013 to ensure that there were traditional Kiwi camping facilities in the District to provide affordable accommodation based on the following amended policy on provision of camping facilities:
Council will not operate camping facilities which: (i) compete with equivalent or greater facilities being operated by the private sector; and (ii) require ratepayers to materially subsidise visitor accommodation in the District.

The goal is to reduce operational costs at the four main holiday parks (Queenstown, Wanaka, Arrowtown, and Glendhu Bay), and, if viable, recommend a commercial arrangement for private provision of camping facilities at these sites.

A detailed report on a preferred option for the future and scale of Council's involvement in campground management in the District is due in 2013.

Our Accountability

Measure	Target	Achievement
Holiday parks operate at zero cost to the ratepayer.	Zero	Zero - (it should be noted that although the financials for 2012/13 demonstrate a modest surplus, this outcome does not take into account loan funded infrastructure tagged to the camping grounds).
Average per night tent site (Queenstown)	Does not exceed $22 per night.	Tent sites range from $18 to $55 a night depending upon the season and location.

Housing

Residential properties are generally owned by the Council as an investment for future infrastructure development. Elderly housing was introduced to Arrowtown and Wanaka in the 1970s and 1980s respectively to meet the demand. The Council supports the provision of affordable housing in the district.

Significant Cost of Service Variances

The net cost of service includes $3.8m of unrealised losses pertaining to the revaluation of investment property. This follows a 2012 value reduction of $4.3m.

Significant Capital Expenditure

Not Applicable.

Significant Capital Expenditure Variances

Not Applicable.

Economic Development
Summary of Internal Borrowings

Activity	**30 June 2013** Internal **Borrowings** **$'000**	**Total Funds Borrowed** during the Year **$'000**	**Total Funds** repaid in the Year **$'000**	Interest Paid in the Year **$'000**
Economic Development	3,192	67	46	155

Economic Development
Summary of Forecasted Financial Performance

Actual 2011/12		**Actual 2012/13**	**LTP 2012/13**
$000	**Expenditure**	**$000**	**$000**
3,897	Tourism Promotion	3,958	3,958
397	Council Land	217	512
152	Housing	139	201
352	Wanaka Airport	391	473
370	Forestry	365	296
4,390	Holiday Parks	4,591	4,919
9,558	**Operating Costs**	**9,661**	**10,359**
2,168	**Group Activity Income (1)**	2,871	6,278
7,390	**Net Cost/(Surplus) of Service**	**6,790**	**4,081**
	Capital Expenditure		
69	Council Land	69	8
17	Housing	-	74
616	Wanaka Airport	570	1,025
2,262	Holiday Parks	210	186
2,964	**Capital and Debt Repayment**	849	1,293
10,354	**Funding Required/(Generated)**	**7,639**	**5,374**
	Funded By:-		
3,655	Targeted Rates	3,123	3,672
434	General Rates	530	755
-	Asset Sales	-	-
2,442	Loans (Internal & External)	390	1,159
3,766	Transfers (to)/from Reserves	3,267	(241)
57	Other	329	29
10,354	**Total Funding**	**7,639**	**5,374**
	Activity Income Includes (1)		
6,150	User Charges	6,024	6,278
46	Other	15	-
(4,028)	Other gains/(losses)	(3,168)	-
2,168	**Total Activity Income**	**2,871**	**6,278**

The Community activity includes the operation of:

- Library Services
- Community Development
- Community Grants
- Public Toilets
- Cemeteries
- Community Facilities
- Waterways Facilities
- Parks and Recreation Facilities

Library Services

There are seven libraries in the Queenstown Lakes District. These are Queenstown, Wanaka, Arrowtown, Kingston, Glenorchy, Hawea and Makarora. The libraries are jointly managed together with seven other Central Otago District Libraries and offer the Symphony System of electronic book co-resourcing. The Council considers libraries to be an important part of the community's resource, providing high quality library services to a national standard.

Our Accountability

Measure	Target	Achievement
Increase in active members	15,780 or 55% of the resident population	61.2% of ratepayers are active members of libraries. (77.55% 2012)
Cost of the library service per ratepayer	Does not exceed $82.79 per annum.	$80
Customer satisfaction around the enjoyment of the community space	85%	88.4% of residents said they were satisfied with quality of libraries, only 8.1% remained neutral and 3.5% reported feeling dissatisfied. Satisfaction has increased by 8% since 2012.

Community Development

Community development is aimed at informing, involving and empowering the community and to ensure the wellbeing of all sectors of the community.

Community Grants

The Council is involved in this activity to provide financial support to community associations for the delivery of small projects and encouragement of community engagement. The Council also works to ensure that community groups can access funding available through other agencies.

Public Toilets

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

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

Cemeteries

This activity promotes wellness in the community by enabling healthy grieving and memorialisation.There are twelve designated cemeteries under the ownership of the Queenstown Lakes District Council. There are 10 operating cemeteries. These are situated at Makarora, Queenstown, Glenorchy, Frankton, Kingston, Cardrona, Wanaka, Lake Hawea, Skippers and Arrowtown.

All cemeteries in the district are of major historical importance, including Skippers and Macetown Cemeteries. Of these only Macetown is 'closed'. A cemetery has been provided at Lower Shotover to meet future demand, once Wakatipu cemeteries are no longer operational. Its development will continue with the area's opening dependent on need.

Service enhancements that have occured in the last three years include establishing levels of service for each facility, introducing on-line cemetery records data and ensuring data management is accurate and linked to Council's GIS system.

Community Facilities

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

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

Aquatic facilities include Alpine Aqualand, Arrowtown Memorial Pool and the Wanaka Community Pool. The Council also supports the operation of the Glenorchy and Hawea community pools via annual operating grant.The aim of this activity is to provide affordable and accommodating facilities to a wide range of recreational, community, and cultural groups. The Wanaka Sports Facility continues to be a Council priority - a construction programme is yet to be finalised.

A highlight of this activity was:

Queenstown Memorial Centre
The former Queenstown Memorial Hall underwent a major upgrade 2012/13 (Council contribution $992k).

Our Accountability

Measure	Target	Achievement
Community satisfaction with pools (safe and clean) (Annual Residents Satisfaction Survey 2013)	65%	76.3% of residents were satisfied with the quality of swimming pools, an increase in satisfaction of 8.9% since 2012. Dissatisfaction remained static at 12% and residents who gave a neutral response fell from 20.2% to 11.5%. The investment in the Queenstown Aquatic Centre continues to influence satisfaction with pools. (84.4% 2012)
Community satisfaction with community halls	70%	82.2% of residents said they were satisfied with community halls, a significant increase of 27.3% from 2012. Consequently dissatisfaction fell from 14.2% to 3.7% and neutral responses from 30.9% to 14.1%. The Queenstown Memorial Centre upgrade is most likley to have influenced satisfaction with halls. (79.4% 2012)
Number of health and safety incidents decrease (Aquatic Centre)	Less than 1% of all visitors (132 incidents)	273 incidents, an increase from 203 incidents re-ported in 2012. The increase is attributed to a more robust system of reporting and recording incidents. (203 incidents 2012), most are of a minor nature ie request for plasters etc. Health and safety will continue to be reviewed on a regular basis.

Waterways Facilities

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

The activity provides a range of boat ramps, jetties and moorings to facilitate the use of waterways and maintains a register of waterway structures and foreshore licences.

This includes the maintenance and development of Council owned waterways facilities including ramps and jetties. The Council maintains boat ramps and associated structures at Glenorchy, Sunshine Bay, St Omer Park, Bay View (Kelvin Peninsula), Frankton Marina, Kingston, Hawea foreshore, Roys Bay (Wanaka).

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

Parks and Recreation Facilities

This activity provides for the health and well being of the community, protects the ecological health of the district and enhances and protects the landscape.

Council provides, manages and maintains over 2084 hectares of parks and reserves from neighbourhood parks to natural areas, forests and sports parks. It provides an extensive network of modern playgrounds and facilitates a wide range of activity including golf, bowls, specialised mountain biking parks, skateparks, cross country skiing and other sporting activities.

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

Multi-use indoor facilities are covered in Community Facilities. Council-assisted (not operated) facilities are covered under the Community Grants activity. The Council undertakes maintenance of the Queenstown Gardens and all amenity horticulture work with its own staff, while mowing, tree maintenance and building maintenance is undertaken under contract by Asplundh (NZ) Limited. Sports Turf is maintained by a specialist turf team, with the Events Centre meeting international standards.

Some of the facilities supported and/or maintained by Council include:

- Queenstown Gardens and Wanaka Station Park.
- 37 playgrounds and four skate parks.
- Three BMX jump parks in association with local mountain bike clubs.
- 30 ha of sports fields in Queenstown, Arrowtown and Wanaka and Hawea.
- Over 150km of walkways, tracks and mountain bike trails.

Cycleway

The New Zealand Cycleway Queenstown Trail was completed in October 2012 providing a 100 kilometre circuit connecting Queenstown, Arrowtown, Gibbston, Lake Hayes and Frankton and providing access to iconic view corridors and stunning vistas. As well as providing increased access and recreational opportunities for locals, the trails provide day and multi-day options for visitors. The Council envisages the cycleway will provide opportunities for small business and other economic activities. The 10-Year Plan provides for funding for upkeep and on-going enhancement of the cycleway. There were over 70,000 users of the cycleway in the first three months of opening.

CCTV Camera – Crime Prevention

The Council is continuing to provide funding for its Queenstown Community Guides service as a first response and crime prevention initiative in the Central Business District. The guides have proved an important success,both as a support to the community and other agencies including the police. The Council continues to support the 'Mellow Yellow' initiative, which enables close co-operation between police, bar staff and the community guides.

Highlights of this activity:

- Review of Events Office and major events contestable fund
- Continued development of walkways.
- On-going support and facilitation of an independent regional film office.
- Increased the number of smaller communities being funded through community association grants and provided a funding structure.

Our Accountability

Measure	Target	Achievement
Maintain approximately the same amount of sports fields	2.4ha of sports fields for every 1000 residents.	There is approximately 2.4ha of sports fields for every 1000 residents.
Presentation of parks is of a high standard with service levels met or exceeded	>75%	73.3% of residents were satisfied with the quality of parks, a decrease of 11.6% since 2012. Dissatisfaction increased from 3.2% to 9.8% and residents remaining neutral increased from 11.9% to 16.8%. Notably satisfacton is lower in small communities and rural areas 63% and 64% respectively. Arrowtown was also lower with 68%, which could be attributable to a high profile issue regarding the provision of affordable housing on Suffolk Street, adjacent to the rugby grounds. Collectively these three results reduced the average. There were no changes to the level of service and notably the results are at odds with the Council's Yardstick park check (interviews with park users) which showed 92% satisfaction 2012/13.
Use of the Queenstown Trail (NZ Cycleway) increases	30,000 visitors per annum.	38,787 (2012) and 37,120 (2013). This may suggest high initial use.
Community Satisfaction with the Queenstown Trail	>75%	87.7% or residents were satisfied with the Queenstown Trail, an increase from 79.3% reported in 2012. Dissatisfaction remained low at around 2% and residents who remained neutral fell from 18.5% to 9.3%. This would be consistent with the October 2012 opening of the Queenstown Trail.

Community
Summary of Forecasted Financial Performance

Actual 2011/12		Actual 2012/13	LTP 2012/13
$000	**Expenditure**	**$000**	**$000**
4,908	Community Facilities	4,346	4,231
6,096	Active & Passive Recreation	6,380	6,749
734	Community Development	646	623
496	Community Grants	569	646
1,834	Libraries	1,916	2,091
232	Waterways	221	206
152	Cemeteries	172	164
661	Public Toilets	842	770
15,113	**Operating Costs**	**15,092**	**15,480**
5,181	**Group Activity Income (1)**	**6,928**	**3,516**
9,932	**Net Cost/(Surplus) of Service**	**8,164**	**11,964**
	Capital Expenditure		
634	Community Facilities	3,338	2,057
3,031	Active & Passive Recreation	4,348	5,810
268	Libraries	257	290
31	Waterways	98	112
8	Cemeteries	48	66
111	Public Toilets	802	445
4,083	**Capital and Debt Repayment**	**8,891**	**8,780**
14,015	**Funding Required/(Generated)**	**17,055**	**20,744**
	Funded By:-		
6,348	Targeted Rates	11,263	10,771
3,651	General Rates	554	582
2,176	Loans (Internal & External)	2,133	3,982
476	Transfers (to)/from Reserves	1,725	3,864
1,364	Other	1,380	1,545
14,015	**Total Funding**	**17,055**	**20,744**

Community Summary of Forecasted Financial Performance			
Actual 2011/12		Actual 2012/13	LTP 2012/13
	Activity Income Includes (1)		
1,626	User Charges	1,674	1,421
494	Grants & Subsidies	3,325	80
453	Other	343	197
1,520	Vested Assets	530	-
1,088	Capital Contributions	1,056	1,818
5,181	**Total Activity Income**	**6,928**	**3,516**

Significant Cost of Service Variances

Revenue is above estimate by $3.4m for the year with most of this amount attributable to external funding for the Memorial Hall ($2.08m) and the Pisa snow farm purchase ($1.2m).

Significant Capital Expenditure

The major items here are the Memorial Hall upgrade ($2.9m) and the Pisa snow farm purchase ($1.7m).

Significant Capital Expenditure Variances

The variance here is within Community Facilities where the original budget shows only council's contribution to the Memorial Hall upgrade ($0.8m) rather than the full cost ($2.9m).

Community Summary of Internal Borrowings				
Activity	**30 June 2013** Internal **Borrowings** **$'000**	**Total Funds Borrowed** during the Year **$'000**	**Total Funds** repaid in the Year **$'000**	Interest Paid in the Year **$'000**
Community	3,610	451	113	181

This includes:

- District Plan
- Regulatory Services
- Waterways Control
- Waste Management
- Emergency Management

The District Plan

The single most effective way the Council can manage the effects of growth and development in the district is the District Plan. The primary purpose of this activity is to continue to align the District Plan with the objectives of this 10-Year Plan. The form and nature of the plan is governed by the Resource Management Act 1991 (RMA). That legislation contains extensive checks and balances to protect all parties to the process.

The District Plan activity includes work on the development, adoption, ongoing changes to, and monitoring of the District Plan. This activity also develops wider strategy for the Council including town centre strategies, a heritage strategy and an urban design strategy.

The District Plan is now operative. Over the last few years multiple plan changes have been developed and notified for public submission. These covered a number of areas from town centres and small communities, growth management, urban design and rural areas to a number of district wide issues such as trails and visitor accommodation.

The Council has agreed to move from its programme of a series of separate plan changes each year to a comprehensive review of most of the District Plan.The process will allow the plan to be restructured and simplified. Council will be able to take advantage of reforms to the RMA and fix the numerous minor problems with the plan. A review project was commenced in 2011. Initial consultation and monitoring reports have been undertaken and work is continuing in 2013.

It should be noted that the Council is not reporting on a district plan measure contained in the 10-Year-Plan. This is because the measurement pertaining to heritage variations and compliance is not relevant as the District Plan is now operative. This will be dealt with in the District Plan Review.

Our Accountability

Measure	Target	Achievement
Proportion of new building consents that require resource consent	34%	38.62% The measure is potentially reflective of a number of influences including location, effect and customer choice and does not necessarily demonstrate positive or negative performance.
Cost of processing private plan change compared to other Councils nationally	Cost less than the median price identified in the Ministry For the Environment two yearly survey.	Cost yet to be measured. These are expected to be measured in 2013/14.

Regulatory Services

There are a number of reasons why Council is involved in the delivery of regulatory services:

Legal Compliance

As a territorial authority, the Council has certain regulatory functions that it is obliged to administer. The Council is generally obliged to observe the wording of the relevant act and must generally act as an impartial decision maker weighing the evidence placed in front of it by the parties. To the extent possible, Council is required to separate its regulatory functions from the other activities it is involved with.The principle statutes that Council is required to administer are the: Resource Management Act 1991, Building Act 2004, Local Government Act 2002, Food Act 1981 and Food Hygiene Regulations, Health Act 1956, Sale of Liquor Act 1989, Dog Control Act 1996 and the Litter Act. Council also makes bylaws to deal with specific issues of public health and safety.

Community Choice

There is a general expectation that a substantial amount of public information and assistance will be made available by Council in the area of Regulatory Services and that compliance will be sought when regulations and bylaws are breached.

Public Health and Safety

Resource management helps protect public health and safety from negative effects associated with development and ensures environmental standards are met. Dog control and registration helps protect the public's health and safety from uncontrolled and wandering dogs. Several of these activities relate to road safety such as removal of abandoned vehicles and enforcement of no stopping areas and other safety regulations.

Environmental

Resource management helps ensure protection of the environment from the negative effects of development. Where subdivision and development occurs provision is made for the development of recreational reserves to meet the recreational needs of new residents and for extensions to the current infrastructure.

Economic Development

The District Plan establishes zones for alternative land use. The public then know where specific economic activity can occur within the district.

Waterways Control

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

Our Accountability

Measure	Target	Achievement
Average cost per consent	Does not exceed $3,500.	Average cost $2567.58 (1217 consents in total 2012/13).
Building consent and LIM applications processed within statutory timeframes	100%	98.47% Building Consents were generally processed within statutory timeframes, with only 1.53% of consents falling outside that timeframe for individual specific resourcing reasons relating to those consents. Average working days remained consistent at 9 days across all building consents, measured favourably against the statutory requirement of 20 working days. (99.6% 2012)
Community satisfaction with resource consent planning	30%	Satisfaction with resource consents more than doubled from 15.1% in 2012 to 34.4% in 2013. Consequently, dissatisfaction fell from 54.7% to 42.1% and those remaining neutral fell by 6.7% to 23.5%. The most logical explanation, given the timing of the survey, is expectation of improved services with CCO Lakes Environmental having been brought 'in house'.
Building inspections completed within 24 hours of request to minimise risk to occupants and owners	100%	99% - only one instance where an inspection was missed but the inspection was completed the following day.

Waste Management

This activity ensures sustainable waste management that protects public health and the environment. The Waste Management activity is managed in three sub-activities. These are:

- Waste Minimisation and Recycling provides recycling and waste diversion services throughout the district. This includes kerbside recycling collection, recycling litterbins, resource recovery parks, greenwaste drop off sites, composting facilities and promoting other waste minimisation initiatives.
- Refuse Collection provides a weekly residential kerbside refuse collection service in the urban areas in the district. Rural areas are serviced by rural drop off points where economically viable.
- Landfill Provision and Management provides facilities for disposing of solid waste and the provision of hazardous waste facilities. This sub-activity includes the Victoria Flats landfill, transfer stations in Queenstown and Wanaka, collection of litterbin waste and ongoing management of the closed landfills and dump sites.

There are only a small number of Waste Management assets. The most significant assets are the land where the landfills, transfer stations, resource recovery parks and greenwaste sites are located. Council also own some buildings on these sites. The total asset value is around $7M. Council contracts out the operation of the waste management sites and the delivery of waste management services to third parties.

Progress has been made towards achieving the targets set out in the Waste Management and Minimisation Plan 2011 with the exception of complaints about the effectiveness of the recycling and rubbish services, which has increased from 195 in 2010/11 to 240 in 2011/12. This increase is mainly attributable to an increase in complaints during the first three months of the new Wanaka Recycling Contract from March 2012 as the new contractor bedded in. Complaint levels have reduced since July 2012. The cost per tonne of waste minimisation and recycling services provided by the Council has decreased from $275 in 2010/11 to $260 in 2011/12 and as reported $215 2012/13 in line with the plan. The quantity of residual waste per capita to landfill had decreased from 0.78 in 2010/11 to 0.69 in 2011/12.

It should be noted that the Council is not reporting on the 10-Year Plan target, illness attributed to waste management services due to the fact that this is not measurable.

Our Accountability

Measure	Target	Achievement
Cost per tonne of waste minimisation and recycling services provided by the Council	Does not exceed $225.	$215 per tonne ($1,955,065/9,106 tonnes)
The quantity of residential residual waste per capita to landfill for the district	Does not exceed 0.72 tonnes per person.	0.76 tonnes per person (21,609 tonnes/28,440 usually resident population. 0.69 tonnes per person was reported in 2011/12. This is a reversal of the downward trend evident since 2007/8.
Number of complaints about the effectiveness of the recycling and refuse service reduce	190	The end of year (2012/13) figure of 218 complaints shows an improvement from the previous years figure of 240. The majority of complaints refer to single property missed collections of refuse or recycling. All of these complaints were rectified within the allotted remedy period. A review of processes will be undertaken with contractor 2013.
Number of health and safety incidences	Zero	Zero

Emergency Management

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

- Identify the hazards and risks that the communities of the district face
- Reduce the likelihood and consequences of hazards, building resilience
- Enable communities, the Council, partner response organisations and infrastructure providers to be ready for emergencies
- Respond effectively to emergencies in partnership with communities, businesses and partner organisations
- Direct and coordinate response and recovery efforts when necessary
- Support communities to recover holisticly and sustainably from emergencies

The Council is required to be an active member of the Otago CDEM Group. An Emergency Management Officer is employed by the Council to coordinate the delivery of its emergency management responsibilities within the Council and the district and with partner organisations in Queenstown, across the region and at a national level.

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

Council provides Rural Fire Units in Queenstown and Wanaka. These units comprise around 40 trained personnel and trailers containing fire suppression equipment.

Council also supports community Voluntary Rural Fire Forces at Kingston, Glenorchy, Arrowtown and Makarora by providing appliances, equipment buildings and training.

Council is responsible for rural fire control through:

- Monitoring of the fire danger.
- Implementation of fire restrictions.
- Administration of a fire permit system.
- Provision of public information.
- Suppression of all uncontrolled fires in rural areas except Department of Conservation property and urban townships covered by NZFS.

Our Accountability

No performance measures are stipulated in the 10-Year Plan 2012-2022 for this activity.

Environmental Management

Summary of Forecasted Financial Performance

Actual 2011/12		Actual 2012/13	LTP 2012/13
$000	**Expenditure**	**$000**	**$000**
3,726	Regulatory Services	4,431	4,116
400	Waterways Regulation	416	452
5,864	Waste Management	5,858	6,235
453	Emergency Services	496	588
2,362	District Plan	2,069	2,528
12,805	**Operating Costs**	**13,270**	**13,919**
5,166	**Group Activity Income (1)**	**5,465**	**5,076**
7,639	**Net Cost/(Surplus) of Service**	**7,805**	**8,843**
	Capital Expenditure		
318	Waste Management	541	642
22	Emergency Services	14	19
78	Regulatory Services	11	11
682	District Plan	650	650
1,100	**Capital and Debt Repayment**	**1,216**	**1,322**
8,739	**Funding Required/(Generated)**	**9,021**	**10,165**
	Funded By:-		
2,648	Targeted Rates	7,807	7,833
5,999	General Rates	673	567
236	Loans (Internal & External)	415	624
(191)	Transfers (to)/from Reserves	5	1,009
47	Other	121	132
8,739	**Total Funding**	**9,021**	**10,165**
	Activity Income Includes (1)		
3,411	User Charges	3,686	3,602
86	Grants & Subsidies	81	152
1,669	Other	1,698	1,322
5,166	**Total Activity Income**	**5,465**	**5,076**

Significant Cost of Service Variances
Not Applicable.

Significant Capital Expenditure
The major item is debt repayment for the District Plan loan ($0.65m).

Significant Capital Expenditure Variances
Not Applicable.

Environmental Management Summary of Internal Borrowings				
Activity	**30 June 2013** Internal **Borrowings** **$'000**	**Total Funds Borrowed** during the Year **$'000**	**Total Funds** repaid in the Year **$'000**	Interest Paid in the Year **$'000**
Environmental Management	2,313	71	204	134

The Queenstown Lakes District Council (QLDC) is responsible for approximately 414km of water mains and 11 treatment plants serving approximately 15,000 properties that between them use a total of approximately 18,200 cubic metres of water per day.

The Council adopted a draft 3 Waters Strategy in June 2011. The strategy recognised that the key to the management of its infrastructure is balancing the affordability of maintaining the existing networks and creating additional capacity with a reduction in risk, aging networks, a demand for growth, and an improved level of service. The strategy reviewed the networks, identified key issues and likely problems with the drivers or challenges and planning assumptions which Council would apply when addressing these.

The strategy provided input to the drafting of the Activity Management Plans which has in turn provided the input to the 10-Year Plan. The adoption of a 10-Year Plan will in turn modify the next Activity Management Plan as the Council takes into account the factors that determine where the balance of affordability should be.

The Council provides safe, potable water at an agreed level of service to the community. This system is designed and managed in such a manner that the user of the system is able to give minimal thought and appreciation to the service and can assume that they have a right to a continuously available and efficient network.The Council:

- Manages, operates, maintains and renews existing intakes, pump stations, treatment plants, pipes and manholes.
- Complies with the requirements of legislation that govern this activity.
- Facilitates the planning and development that has been approved to occur within the district.
- Contracts work to various parties to complete the above works.
- Works with other external organisations to ensure that appropriate consultation and standard of work occurs.

The Council, in the last 10-Year Plan, identified significant works in response to projected growth. It was identified that there were difficulties with the long term funding of these projects. The Council has determined that by managing the demand on its assets and by optimising the use of its existing assets some of the significant works in its forward programme can be postponed.

High water demand due to leakage, seasonal population growth (ie. visitors and holiday homes) and irrigation significantly affects the cost of operating and the requirement for capacity improvements on the water supplies. A reduction in water use can reduce both present and future costs to the networks. A dedicated campaign designed to reduce water use in the Queenstown Lakes District got underway in December. Awareness has grown around the way we use water and in general water use reduced during the summer period, although peak use and leakage continue to be a challenge.

By deferring upgrades the projected capital expenditure cost for water has reduced to $72m (2009: $171m) over the 10 years.

Our Accountability

Measure	Target	Achievement
As pipes age and increase, maintain the current level of unplanned outages	Less than 70 per year.	53 unplanned outages. 48% of water outages were due to frozen pipes over winter.
Compliance with NZDWS	100%	The Ministry of Health report is published in September each year. The 11/12 report showed that the Queenstown Lakes District was bacteria and chemical compliant for all zones except protozoa. We did not have the infrastructure at our treatment plants to remove protozoa for the 2011/12 year. Despite taking all practical steps to acheive 100% compliance, the adequacy of supply at Wanaka Airport did not comply with 69S of the Act.
Community satisfaction with the quality of the water	70%	75.9% of residents were satisfied with the quality of the water, an increase from 64.4% in 2012. Dissatisfaction fell from 17.9% in 2012 to 13.5% in 2013. Neutral responses also fell from 17.7% to 10.7%. It is likely this increase is a result of awareness generated through the 2012/13 Water Demand Management dedicated campaign to use water wisely.
Per connection average consumption (exclusive of leakages)	1600 litres	The system recording this information is currently being worked on to improve the quality and accuracy of the information. Until this is complete this measure cannot be reported on.
Leakage as a measure of night flow per connection	825 litres per connection per day	579 litres per connection per day

Water Supply Summary of Forecasted Financial Performance			
Actual 2011/12		**Actual 2012/13**	**LTP 2012/13**
$000	**Expenditure**	**$000**	**$000**
7,345	Water Supply	10,326	8,288
7,345	**Operating Costs**	**10,326**	**8,288**
1,401	**Group Activity Income (1)**	**922**	**1,919**
5,944	**Net Cost/(Surplus) of Service**	**9,404**	**6,369**
	Capital Expenditure		
4,579	Water Supply	1,671	6,597
4,579	**Capital and Debt Repayment**	**1,671**	**6,597**
10,523	**Funding Required/(Generated)**	**11,075**	**12,966**
	Funded By:-		
6,461	Targeted Rates	6,896	6,999
-	General Rates	18	26
2,637	Loans (Internal & External)	1,544	3,925
867	Transfers (to)/from Reserves	925	1,411
558	Other	1,692	605
10,523	**Total Funding**	**11,075**	**12,966**
	Activity Income Includes (1)		
61	Other	9	56
686	Vested Assets	321	1,331
654	Capital Contributions	592	532
1,401	**Total Activity Income**	**922**	**1,919**

Significant Cost of Service Variances

Revenue was below estimate by $1.0m for the year with most of this amount attributable to lower than expected Vested Assets. There is $2.5m of project expenditure that was classified as capital expenditure within the budget but has been charged as an operating expense for the year. This is not an over-spend as there is budget provided to cover it. Most of this expenditure was previously sitting in capital work in progress and relates to projects that will now not proceed.

Significant Capital Expenditure

The major items are various upgrades for Queenstown and Wanaka schemes and debt repayment ($0.57m).

Significant Capital Expenditure Variances

There is $4.4m of project expenditure within the within the water supply activity which has been delayed or deferred. These projects include Leary's Gully Pump station ($0.65m); UV treatment at Queenstown in-takes ($0.68m); upgrades to Hawea scheme ($0.64m), as well as the upgrade to the SCADA system and various water demand projects.

Water Supply
Summary of Internal Borrowings

Activity	**30 June 2013** Internal **Borrowings $'000**	**Total Funds Borrowed** during the Year **$'000**	**Total Funds** repaid in the Year **$'000**	Interest Paid in the Year **$'000**
Water Supply	2,483	265	97	126

The Queenstown Lakes District Council (QLDC) is responsible for approximately 198km of stormwater mains, 13 detention basins and a number of interceptors (basic stormwater separators) serving approximately 10,900 properties that approximately cater for an average 10-year flood event. The 10-Year Plan did not include a significant forward programme of works.

The Council has determined that by aligning with associated projects, usually roading, and ensuring that the project is the most appropriate for the catchment an acceptable programme can be achieved.

Our Accountability

Measure	Target	Achievement
The percentage of stormwater service requests responded to on time	100%	95.5% (98.5% 2012). Only two service requests were not responded to on time, however works were programmed for a later date.
No flooding of buildings due to failure of the public storm water system (excluding a 1 in 50 year storm event)	Zero	Zero
Number of stormwater blockages	Less than 20 per year.	35. Work on non QLDC assets has been included in this total which explains why the target has been exceeded. The measure also reflects the quality of the asset and work undertaken on the asset, which should ideally be separated out.
Maintenance cost per ratepayer increases by less than the cost of inflation per year	Increase per ratepayer is less than inflation	The maintenance cost increased by $9,726 to $1,617,81. This represents an increase of 6% per ratepayer and is therefore greater than inflation. This is due to the timing of maintenance works.

Significant Cost of Service Variances

Revenue was below estimate by $2.2m for the year with most of this amount attributable to lower than expected Vested Assets.

Significant Capital Expenditure

The major items are various upgrades for Wakatipu, vested assets ($0.51m) and debt repayment ($0.42m).

Significant Capital Expenditure Variances

Vested assets were $2.0m below budget and there is also $1.2m of project expenditure within the Stormwater activity which has been delayed or deferred. Most of the budget is for the Glenda Drive interceptor ($0.62m) was not spent and has been carried forward.

Storm Water
Summary of Forecasted Financial Performance

Actual 2011/12		Actual 2012/13	LTP 2012/13
$000	**Expenditure**	**$000**	**$000**
2,265	Stormwater	2,453	2,439
2,265	**Operating Costs**	**2,453**	**2,439**
1,148	**Group Activity Income (1)**	**773**	**2,956**
1,117	**Net Cost/(Surplus) of Service**	**1,680**	**(517)**
	Capital Expenditure		
1,787	Stormwater	1,544	4,363
1,787	**Capital and Debt Repayment**	**1,544**	**4,363**
2,904	**Funding Required/(Generated)**	**3,224**	**3,846**
	Funded By:-		
1,415	Targeted Rates	1,331	1,350
-	General Rates	-	-
959	Loans (Internal & External)	251	1,682
252	Transfers (to)/from Reserves	739	324
278	Other	903	490
2,904	**Total Funding**	**3,224**	**3,846**
	Activity Income Includes (1)		
292	Other	246	274
749	Vested Assets	504	2,527
107	Capital Contributions	23	155
1,148	**Total Activity Income**	**773**	**2,956**

Stormwater
Summary of Internal Borrowings

Activity	**30 June 2013** Internal **Borrowings** **$'000**	**Total Funds Borrowed** during the Year **$'000**	**Total Funds** repaid in the Year **$'000**	Interest Paid in the Year **$'000**
Stormwater	790	43	72	45

The Council is responsible for approximately 362km of wastewater mains, 54 pump stations and three treatment plants serving approximately 13,400 properties that between them discharge a total of approximately 11,000 cubic metres of sewage per day. This includes the larger plants, namely Project Pure (wastewater treatment plant and disposal to land at Wanaka) and the Shotover Ponds (wastewater treatment and disposal to the Shotover River). The Council has determined that by managing the demand on its assets and by optimising the use of its existing assets some of the significant works in its forward programme can be postponed.

Project Shotover is the upgrade to the Wakatipu wastewater treatment facility on the Shotover Delta. Funding of $35.9 million has been included in the 10-Year Plan, based on a full upgrade. To find the best solution for the environment and the most cost effective way to deliver this project, the Council tested the market for good ideas.

The goal is to find options to do a staged upgrade that would meet the future wastewater requirements of the District and improve the quality of discharge over time. It has a completion date of 2025 which spreads the cost over a longer period and allows growth to fund the project as it happens. Council has consulted on options to deliver the project over stages which will better spread, and ultimately minimise, costs. An application for the initial consents was lodged in May 2013.

In the meantime the ponds have been de-sludged improving the discharge quality as a result. A $2.6 million contract was awarded for the construction of the Inlet Works to improve the initial screening process at the treatment facility. It is due to be completed by August 2013.

Our Accountability

Measure	Target	Achievement
Notice of any planned service interruption. (excluding emergencies)	100% of customers receive 24 hours notice	100%. 80 complaints were received concerning mostly leakages or burst pipes non related to planned service interruptions. Veolia did not report any planned service interruptions that did not receive 24 hours notice (100% 2012)
Customer satisfaction with wastewater (Annual Residents Satisfaction Survey Report 2013)	68%	80.9% of residents were satisfied with the waste water system, a 22.7% increase in satisfaction since 2012. Neutral responses fell from 28.8% to 11.2% along with dissatisfaction which fell to 7.8%. This is likely to reflect Annual Plan consultation and the increase in profile on Project Shotover, which will deliver a wastewater treatment upgrade; and continued satisfaction with the significant inventment in wastewater treatment for Wanaka, namely Project Pure.

Measure	Target	Achievement
No more than 30 odour complaints per year are received	Less than 30	25 - Two odours complaints were received for Project Pure in January 2013 as a result of two accuator valves breaking down. This caused odour generation for approx two weeks while the valve was on order. Complaints were received at the Shotover Ponds and at Riverbank Road in February 2013. Minor remedial works in November 2012 at Project Pure and Riverbank Road in Wanaka have reduced complaints from these sites. (39 complaints 2012)
Sewerage overflows into habitable buildings due to faults in the public wastewater system is zero	Zero	2 - (1. Private lateral backflow from spa pool draining. 2. Damaged and blocked lateral.) (Zero 2012)

Actual 2011/12	Wastewater Summary of Forecasted Financial Performance	Actual 2012/13	LTP 2012/13
$000	**Expenditure**	**$000**	**$000**
8,236	Wastewater	9,260	9,424
8,236	**Operating Costs**	**9,260**	**9,424**
1,916	**Group Activity Income (1)**	**1,180**	**2,624**
6,320	**Net Cost/(Surplus) of Service**	**8,080**	**6,800**
	Capital Expenditure		
8,257	Wastewater	5,531	5,943
8,257	Capital and Debt Repayment	5,531	5,943
14,577	**Funding Required/(Generated)**	**13,611**	**12,743**
	Funded By:-		
6,280	Targeted Rates	6,495	6,471
-	General Rates	142	229
2,307	Loans (Internal & External)	2,100	3,319
3,808	Transfers (to)/from Reserves	2,955	1,245
2,182	Other	1,919	1,479
14,577	**Total Funding**	**13,611**	**12,743**
	Activity Income Includes (1)		
51	Other	39	34
717	Vested Assets	433	1,799
1,148	Capital Contributions	708	791
1,916	**Total Activity Income**	**1,180**	**2,624**

Significant Cost of Service Variances

Revenue was below estimate by $1.4m for the year with most of this amount attributable to lower than expected Vested Assets. There is $0.69m of project expenditure that was classified as capital expenditure within the budget but has been charged as an operating expense for the year. This is not an over-spend as there is budget provided to cover it. Most of this expenditure was previously sitting in capital work in progress and relates to projects that will now not proceed.

Significant Capital Expenditure

The major items are various upgrades for Queenstown ($2.7m), vested assets ($0.43m) and debt repayment ($1.73m).

Significant Capital Expenditure Variances

Not Applicable.

Wastewater

Summary of Internal Borrowings

Activity	**30 June 2013** Internal **Borrowings** **$'000**	**Total Funds Borrowed** during the Year **$'000**	**Total Funds** repaid in the Year **$'000**	Interest Paid in the Year **$'000**
Wastewater	4,264	360	297	231

This activity includes:

- Roading
- Parking Facilities

Roading

The Council is accountable for just over 800km of local roading and public carparks located in Arrowtown, Queenstown, and Wanaka. In addition there are 232km of State highways within the District and these are managed by New Zealand Transport Agency (NZTA).

The Council's transport activities are funded from a combination of local and central government funding sources.

Council Transport Strategies

The development of transport strategies for the Wanaka and Wakatipu Wards took place over the period from 2006/07 to 2008/09 when the two key strategies the Wakatipu Transportation Strategy and the Wanaka Transportation and Parking Strategy were adopted. Both strategies were endorsed by NZTA (or its predecessors). The Council has also adopted strategies for road safety, cycling and walking, and the Transport Asset Management Plan.

The Council's strategies promote an integrated approach to projects that together will achieve significant changes to the district's transport system and travel behaviour over the next twenty years. Key drivers for the strategies have been the need to cater for growing transport demands (as a consequence of forecast resident and visitor growth) and the need to protect and – where possible - enhance district amenity.

These strategies have been instrumental to changes in the Council's transport activity over the past three years.

The transport strategies have provided input to this Annual Plan. It is proposed that the Council's strategies be reviewed next financial year to ensure that they remain current and provide reliable input to the next long term plan. The work on this review has been internal to date.

Within the next three years the key projects to have come out of transport strategies relate to the design of new roads in Wanaka and Wakatipu, and ongoing parking management. These include:

- Further design work for the Inner Links project, which is proposing the development of a peripheral route around the Queenstown Town Centre
- The commencement of design work for the North Western corridor (otherwise known as the Ballantyne / Hedditch / Lismore route) in Wanaka. This follows from the Wanaka Transportation Strategy which proposes the strengthening of cross town routes in Wanaka as a means of dealing with forecast traffic growth.

Perhaps the most significant roading project within the 10-Year Plan and Council's transport strategy has been the development of the local roads linking to the proposed state highway roundabout near Glenda Drive. This project has been repeatedly frustrated by uncertainty over the decisions on the future development of the Frankton Flats.

Over the 5 years since the Wakatipu Strategy was adopted there have been significant changes to the economic factors and central government priorities. It is planned that the Council's transport strategies will be reviewed in 2013/14 in order to continue strategic input to the next 10-Year Plan. An input to the strategy review will be the development of an economic network plan for the district.

The Economic Network Plan (ENP) is a tool to assist decision making on transport expenditure by assessing the economic value of each section of road. It encourages decision makers to give priority to those roads that deliver the highest economic benefit to the community.

As well as enabling Council to better priorities its roading projects, the ENP will provide national decision makers, particularly those within NZTA, to better understand the economic drivers for investment in the Queenstown Lakes District's roading projects.

Roading

The Council's roading activity seeks to provide a cost effective transport system that meets the district's changing needs.

Roading is Council's single biggest cost. This fact combined with a cut in the level of subsidy available from the New Zealand Transport Agency and the level of debt ($30m) attributable to the Council's transport activity, means a change must be considered.

Council recognises the need to consider cost efficiencies, how good the roads are and which roads can go without work being done this year. Council is also thinking about the way the work is undertaken and funded. This could result in some changes to the standard of roads in the coming years. Roading projects are still planned for next year, including sections of the following roads: The Crown Range Road (zig zag sections), Fernhill Road, Sainsbury Road, Ramshaw Lane, Glenorchy Road, Isle Street, Wynyard Terrace, Gorge Road. This year Council is building a model to help prioritise what needs to be done and when.

Council has also taken the new position of not providing in advance for emergency reinstatement work. This work cannot be planned for and Council's preference is to seek to fund such work through underspends in other budgets in the first instance rather than rate for such expenditure in advance.

Our Accountability

Measure	Target	Achievement
Annual increase in total cost of maintaining the transport networks are less than the cost of inflation (accounting for population growth).	100%	The cost of maintaining the transport network was $5,598,729, an increase on the previous year of $97,443. This represents a percentage increase of 2% and is therefore greater than inflation. This is due to the timing of maintenance works.
Use of non-car and ride sharing options increases (measured travellers through Queenstown CBD from all directions	40%	Non-car options (bus, walk, cycle) made up 11% of all options in 2013. (Queenstown Traffic Surveys 2013 – MWH). Council will continue to work with the Otago Regional Council to encourage use of public transport, ride share and bike to work.
Community satisfaction with roads, unsealed roads and footpaths	70.5% Sealed roads 55% Unsealed roads 63% Footpaths	Satisfaction with sealed roads increased by 20% to 72.7% largely due to a decrease in neutral responses from 32.7% in 2012 to 12.7% 2013. Residents who said were dissatisfied dropped from 15.3% to 14.5%. This could be influenced by NZTA projects including the sealing of Frankton Road and Stanley Street, Ardmore Street roundabout and QLDC upgrades 2012/13 including Gorge Road, Malaghans Road, and Lake Esplanade. More than half (59.4%) of residents said they were satisfied with unsealed road, an increase from 36.9% in 2012. Consequently, neutral responses fell from 39% (2012) to 19.7% (2013) and dissatisfaction also dropped from 24.1% (2012) to 20.9% (2013). This is likely to be attributable to the ongoing Otta seal project on rural roads. Satisfaction with footpaths saw an increase of 20.8% to 68.7%, attributable to a decrease in neutral responses which accounted for 12.8% of residents. Dissatisfaction also dropped from 23.1% (2012) to 18.5% (2013).
Sealed roads do not exceed the maximum roughness - National Association of Australian State Roads Authority (NAASRA) Survey	Less than 5% exceeds limits	8.6% of rural roads exceeded the maximum roughness NAASRA count of <90. 12.2% of urban roads exceeded the maximum roughness NAASRA counts of <105.

Measure	Target	Achievement
Three year average serious casualties (fatal and serious injuries) on the local road network does not increase above the 2008-12 average.	Three year average is less than 15.	Casualty (fatal + serious) crashes for 2012 = 32. Number of registered vehicles = 27,639. Therefore number of casualty crashes per 10,000 vehicles = 11.58. Reference: Statistical Summary of Territorial Authorities in New Zealand (NZ Transport Agency), April 2013. Also: Vehicle kilometres travelled (VKT) = 164 million ("NZTA report" taken from RAMM) Therefore, 20 casualty crashers per 100 million VKT. The three year average will be calculated in 2015.

Parking Facilities

Parking is a fundamental part of the transport activity and as such contributes to provision of a cost effective transport system that meets the district's changing needs.

The Council uses parking supply and management to ensure that high demand destinations such as town centres are accessible and, where alternatives to car based travel exist, to influence how people travel. Key drivers of the parking activity, particularly in the Queenstown Town Centre (which is serviced by a public transport network) are:

- To reduce debt associated with the past acquisition of land for parking
- Ensure parking is available for visitors
- Encourage awareness and use of alternative to the single occupant car

Work will continue to renew existing facilities in the manner that the Brownstown Street carpark was re-sealed last year and the Brecon Street carpark is being re-sealed this year.

Our Accountability

Measure	Target	Achievement
Percentage of designated short term parking spaces are available.	20% available on audit	No audits were conducted in 2012/13 investigating the availability of short term parking spaces. No budget or resourcing was allocated.
Customer satisfaction with street lighting.	65%	Satisfaction with street lighting increased by 15% to 65.4% boosted by a decrease in neutral responses, from 26.9% (2012) to 13.7% (2013). Dissatisfaction also dropped from 22.9% (2012) to 20.9% (2013).

Roading and Parking
Summary of Forecasted Financial Performance

Actual 2011/12 $000		Actual 2012/13 $000	LTP 2012/13 $000
	Expenditure		
16,092	Roading	16,942	18,073
564	Parking Provision	573	420
16,656	**Operating Costs**	**17,515**	**18,493**
17,771	**Group Activity Income (1)**	**13,401**	**18,449**
(1,115)	**Net Cost/(Surplus) of Service**	**4,114**	**44**
	Capital Expenditure		
22,856	Roading	20,145	26,718
144	Parking Provision	397	397
23,000	**Capital and Debt Repayment**	**20,542**	**27,115**
21,885	**Funding Required/(Generated)**	**24,656**	**27,159**
	Funded By:-		
11,099	Targeted Rates	12,589	12,651
8,838	Loans (Internal & External)	3,750	9,420
(353)	Transfers (to)/from Reserves	3,437	1,847
2,301	Other	4,880	3,241
21,885	**Total Funding**	**24,656**	**27,159**
	Activity Income Includes (1)		
1,013	User Charges	1,064	928
13,467	Grants & Subsidies	10,681	12,906
771	Other	474	391
1,548	Vested Assets	607	3,473
972	Capital Contributions	575	751
17,771	**Total Activity Income**	**13,401**	**18,449**

Significant Cost of Service Variances

Revenue was below estimate by $5.0m for the year with part of this amount attributable to lower than expected Vested Assets ($2.9m) and most of the balance attributable to reduced Roading subsidy, which was $2.2m under budget for the year, mainly as a result of the timing of roading capital expenditure due to the deferral of some projects. Expenditure was $1.1m under budget due to lower than forecast interest ($0.4m) and depreciation ($0.55m).

Significant Capital Expenditure

The major items are various rehabilitation projects and upgrades ($16.1m), vested assets ($0.61m) and debt repayment ($3.8m).

Significant Capital Expenditure Variances

Vested assets were $2.9m below budget and there is $3.6m of project expenditure within the roading activity which has been delayed or deferred. This includes the Frankton Flats arterial road ($3.5m) and various upgrades and rehabilitation projects incomplete at year end: Cardrona; Arthurs Point; and Ardmore/Brownston Streets.

Roading and Parking
Summary of Internal Borrowings

Activity	30 June 2013 Internal Borrowings $'000	Total Funds Borrowed during the Year $'000	Total Funds repaid in the Year $'000	Interest Paid in the Year $'000
Roading and Parking	4,881	643	581	262

Queenstown Airport Corporation

Corporate Mission

To provide airport and related facilities in the district and meet the growing needs for airport services to the Lakes District, to the highest quality in an economically sustainable manner and in the best interests of the community.

Goals

To achieve its mission QAC has established a number of goals. These are to:

- To provide a quality of service to its customers and take all reasonable steps to enhance safety wherever possible.
- To continue operating the Company as a successful business and in an effective and efficient manner maximising the return on funds invested in the medium and long term.
- To expand, maintain and plan the facilities at the Airport to allow for full domestic and trans-Tasman operational capability of aircraft types currently in use, and likely to be in use in the foreseeable future, by New Zealand's major domestic airlines and international airlines likely to operate here.
- To promote Lake District's tourism, commercial and non-commercial air travel and maximise the usage of the Airport facilities.
- To seek and develop profitable business opportunities that make best use of the people, technical and financial resources of the Company.
- To act as a good employer by providing equal employment opportunities, good and safe working conditions as well as opportunities for individual career development.
- To act as a good corporate citizen in regard to the needs of the greater Lakes District Community and the environment.
- To act as a 'responsible neighbour' to the adjacent residential areas.

It is QAC's objective to be a successful business. This success will be measured by setting a number of objectives identified at the start of each financial year that we believe can and should be achieved within that year. These objectives will be measurable and achievable and QAC's performance against these objectives will be reported annually.

Target
To deliver an Annual Report.

Achievement
Report delivered to QLDC.

Financial Performance

2012 Actual 000's		2013 Actual 000's	2013 Forecast 000's
17,457	Revenue	19,567	18,046
5,928	Operating Expenditure	6,644	4,843
7,241	Operating Surplus/(deficit) before tax	7,388	7,675
5,174	Operating Surplus/(deficit) after tax	5,280	5,341

Vision

A vibrant, healthy community.

Mission

To encourage and provide for participation in sports, entertainment and recreation in our district.

Lakes Leisure's vision reflects the company's values and the wider objectives it owns on behalf of Council and the community it serves. Lakes Leisure's dedicated support of the community, from the management of facilities through to the provision of fresh and inspiring opportunities to participate, continues to grow our population's participation in sport and recreation across the district.

Lakes Leisure's management portfolio includes:

Venues
- Queenstown Events Centre
- Queenstown Memorial Hall
- Lake Hayes Pavilion
- Arrowtown Athenaeum Hall
- Lake Wanaka Centre

Aquatics
- Alpine Aqualand
- Wanaka Community Pool
- Arrowtown Memorial Pool

Health & Fitness
- Alpine Health & Fitness

Turf Management and Bookings for 41 hectares of sports fields across 13 locations

Objectives

- To achieve growth in participation.
- To diversify revenue streams.
- To create opportunities for wider participation.
- To provide channels for regular feedback from the community ensuring service levels are of a consistently high standard.
- To comply with the statutory obligations of the Local Government Act.
- To ensure financial accountability.
- To achieve excellent communications with the widest community.
- To increase direct communication to customers.

Target
To deliver an Annual Report

Achievement
Achieved.

Financial Performance

2012 Actual 000's		2013 Actual 000's	2013 Budget 000's
6,655	Revenue	6,500	6,553
6,084	Operating Expenditure	6,422	5,562
571	Operating Surplus/(deficit) before tax	78	991
-	Taxation	-	-
571	Operating Surplus/(deficit) after tax	78	991

Note: Lakes Leisure was disestablished on 30 June 2013.

Lakes Environmental is a limited liability company and a Council Controlled Organisation (CCO) under the Local Government Act 2002. All of the company's shares are owned by the Queenstown Lakes District Council.

The Company's principal objective, as set out in Section 59 of the Local Government Act 2002, is to:

- Achieve the objectives of the Council, both commercial and non-commercial, as specified in the Statement of Intent;
- Be a good employer;
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the communities in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Target
To deliver an Annual Report.

Achievement
Achieved.

Financial Performance

2012 Actual 000's		2013 Actual 000's	2013 Budget 000's
7,043	Revenue	7,486	7,076
7,037	Operating Expenditure	9,559	6,785
6	Operating Surplus/(deficit) before tax	(2,073)	291
(50)	Taxation	68	73
56	Operating Surplus/(deficit) after tax	(2,141)	218

Note: Lakes Environmental Limited was disestablished on 30 June 2013.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEENSTOWN LAKES DISTRICT COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

The Auditor-General is the auditor of Queenstown Lakes District Council (the Council) and group. The Auditor-General has appointed me, P F Heslin, using the staff and resources of Deloitte to audit:

- the financial statements of the Council and group that comprise:
    - the statement of financial position as at 30 June 2013 on page 14 to 15;
    - the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 30 June 2013 on pages 12 to 17; and
    - thenotes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 25 to 64;
- the funding impact statement of the Council on page 18;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the Council on pages 65 to 86;
- statement of service provision (referred to as Statement of Service Performance) of each group of activities of the Council on pages 65 to 86; and
- the funding impact statements in relation to each group of activities of the Council on pages 20 to 24.

In addition, the Auditor-General has appointed me to report on whether the Council and group's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
    - internal borrowing on page 65 to 86;
    - council-controlled organisations on page 87 to 89;
    - reserve funds on page 51;
    - each group of activities carried out by the Council on pages 65 to 86;
    - remuneration paid to the elected members and certain employees of the Council on page 58;
    - employee staffing levels and remuneration on page 58; and
    - severance payments on page 58;
- a report on the activities undertaken by the Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 65; and
- a statement of compliance signed by the Mayor of the Council, and by the Council and group's chief executive on page 11.

Opinion

Audited information

In our opinion:

- the financial statements of the Council and group on pages 12 to 17 and 25 to 64:
    - comply with generally accepted accounting practice in New Zealand; and
    - fairly reflect:
        - the Council and group's financial position as at 30 June 2013; and
        - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the Council on page 18, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the Council on pages 65 to 86, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Council's long-term plan or annual plan.
- the Statement of Service Performance of the Council on pages 65 to 86:
    - complies with generally accepted accounting practice in New Zealand; and
    - fairly reflects the Council's levels of service for the year ended 30 June 2013, including:
        - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
        - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the Council on pages 20 to 24, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's long-term plan.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the Council and group's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 8 October 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported statement of service performance within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on the Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and statement of service performance that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Council's long-term plan or annual plan; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

The Council's responsibilities arise under the Local Government Act 2002.

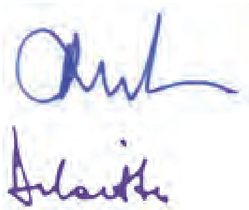
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of tax compliance and assistance with the presentation of the statutory financials which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Council or any of its subsidiaries.



P F Heslin
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On behalf of the Auditor-General
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QUEENSTOWN LAKES DISTRICT COUNCIL