# Annual Report
# Rīpoata ā-tau

2019/20

QUEENSTOWN LAKES DISTRICT COUNCIL

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# Section 01: Overview

# Wāhaka 01: Whakarāpopototaka

# Chief Executive's Report

In June 2019, when the 2019-2020 Annual Plan was adopted, it would have been impossible to foresee or predict how the year would unfold. March 2020 was a big turning point globally as countries rapidly went into various levels of lockdown and the global COVID-19 pandemic took hold. Many workstreams that Council had programmed were halted or significantly slowed down as many Council staff stepped into essential roles as part of the emergency response. Unprecedented is a word I and my colleagues have used in reports and plans, but usually with regard to the pace and scale of growth in the district with an increasing population and visitor numbers. In this case, the emergency response that was stepped up to respond to the COVID-19 pandemic was truly unprecedented for this Council and the district.

Queenstown was the first community outside of Auckland to have a confirmed COVID-19 case, and the number of visitors, migrants or holidaymakers in the district made our response challenging and complex. In addition to setting up an early and active response system, the Mayor became a strong public advocate for the district and in particular its vulnerable migrant communities.

In a matter of weeks, the Council's IT team had developed a bespoke welfare registration system to streamline requests for assistance which totalled in the thousands. On average, a team of 80 volunteers made 415 phone calls a day helping people access basic needs support such as food, clothing, medical supplies and heating. The emergency response team of 149 people included 62 QLDC staff, two Otago Regional Council staff, five contractors and 80 volunteers (the latter greatly supported by the efforts of Volunteering Central). Providing updates, information and support for the community during unprecedented circumstances was a huge challenge for everyone involved and I would like to acknowledge their commitment and tenacity to make sure we could get through together.

In tandem, work got underway with the formation of Council's Recovery Team. The team initiated a broad programme of work focusing on our district's economic and community recovery. This took the shape of facilities such as the Kia Kaha Community Hub providing access to information about welfare support, job opportunities, training and wellbeing / mental health support. The COVID-19 pandemic once again highlighted our dependency on visitors and construction as our key industries. While Council has previously undertaken work on economic diversification, this has become a key element in planning for the district's long-term recovery and wellbeing.

One of Government's key responses was the proposed 'shovel-ready' programme. Council submitted six shovel ready projects, and was rewarded with the Queenstown Street Upgrades and Town Centre Arterials being announced by the Prime Minister as the first of the projects to be approved and work is well underway to make these plans a reality. These two projects will inject $125M across both Government and Council investment and are expected to create 320 new jobs.

The Council's Emergency Operations Team also stepped up in December and February when unusually high rainfall levels caused localised flooding and high lake levels, seeing many businesses and homes prepare for the worst with sandbags and relocating at risk items such as furniture to upper storeys. A key reflection on these events was the increased effectiveness and accuracy of the regional council's modelling and predictions around potential flooding. On this occasion there was thankfully minimal damage to property and the Council took a number of precautionary measures to ensure that locals and businesses could try to minimise risks, such as providing sandbag stations, closing at risk tracks and trails, and providing guidance for boaties and other lake and waterway users. In hindsight, these proved a valuable opportunity for the Emergency Operations Team to be better prepared for the pandemic crisis to follow.

This last year saw some significant steps for the Council in its commitment to our local natural environment. The first was the go-live of the new three-bin system on 1 July 2019, which provided all eligible homes with separate bins for waste, glass and mixed recycling. Our new partnership with Waste Management and Wastebusters has a key focus on waste minimisation, education and innovation, including the introduction of electric collection vehicles and electric bikes for the collection of waste from in-town public bins. The waste Minimisation Fund ran for a second year and $60k was awarded to six zero-waste initiatives across the district that will help achieve our district's zero carbon communities vision goal and inspire the whole community towards zero waste.

March 2020 saw the Council named as one of Aotearoa New Zealand's three 'Tree Cities of the World', reflecting the district's reputation as clean, green and sustainable and recognising a strong commitment to environmental issues. The programme, which is run by the Arbor Day Foundation and the Food and Agriculture Organization of the United Nations, recognises select cities that make the planting and care of trees a priority. This designation signifies Queenstown Lakes District's commitment to being a healthier, happier place.

In March, Councillors also adopted QLDC's first Climate Action Plan developed following many months of expert advice and community engagement and sending a strong message that the Council is serious about, and committed to, addressing climate impacts. Council declared a climate emergency in June 2019. The overall goals for the district highlighted in the Climate Action Plan are to achieve net zero carbon emissions by 2050, and to be resilient to the local impact of climate change across the whole district.

Local body elections took place in October 2019, seeing some returning and some new Councillors around the table in Council Chambers. In a first for the district, the final seat for Queenstown-Wakatipu was a tie and had to be decided by an historic coin toss which received a great deal of media coverage both locally and nationally. The new Council was very quickly brought up to speed on the many, fast-paced activities and developments across the district through a robust induction and information sharing programme to ensure the business of Council could keep moving.

Later in the financial year, the Wānaka Community Board also reintroduced its monthly drop-in sessions with the support from the new Upper Clutha Liaison Manager helping to connect members of the community who want to bring matters to the Board's attention.

These sessions got off to a very positive start with good attendance and a variety of hot topics being discussed.

Community facilities saw some big developments in the last year, starting with the opening of the temporary Luggate Hall. Located at Hopkins Street Reserve, the new facility is a fully-accessible relocatable building that was redecorated and refitted on-site with new services. The original Luggate Memorial Hall was built in 1954 and closed in 2017 after not meeting the required standards in a detailed seismic assessment. Councillors endorsed an ultra-low energy 'Passive House' concept for the new hall in late 2018 which will make it one of the first community facilities built and certified to Passive House standard anywhere in Aotearoa New Zealand.

In January, long-awaited work began on the redevelopment of the Frankton Motorcamp returning it to a 'camping only' facility. The camp officially closed on 31 January and once developed will provide modern camping capacity in an enviable location on the shores of Lake Wakatipu. Whilst nobody knows what will happen with the return of international visitors, the camp is expected to open ahead of the 2021-22 summer season for Kiwis to enjoy.

Then in March Alpine Aqualand reopened after the successful completion of some significant repairs to its ceiling and ventilation system. The team was understandably disappointed to have to close the pool for a six-month duration that included the popular summer and Christmas period, but was able to extend memberships and open the Arrowtown Memorial Pool early with some new heating in place to make visiting an outdoor pool in the spring a little more appealing. The essential works included some improvements to the ventilation system and replacement of the vapour barrier thereby futureproofing it for years to come.

Work continued on the District Plan Review with Stage 3 being notified for public consultation in September 2019. A wide range of topics were included such as General Industrial Zones, Township (Settlement Zones), Three Parks, Wāhi Tūpuna (sites of significance to Iwi), 100 Ballantyne Road Active Sports Recreation Zone, and Design Guidelines for Residential and Business Mixed Use Zones. In particular, QLDC worked closely with local Iwi to identify and map Wāhi Tūpuna sites as part of our organisational commitment to takata whenua. Further topics were notified in early 2020 and the review continues in 2021 with Stage 4 and I would encourage anyone with an interest to participate.

Finally, I would like to acknowledge the contribution of the elected representatives on both the Council and the Wānaka Community Board, and that the outstanding facilities and effective services delivered to the Queenstown Lakes communities are the result of a dedicated and hard-working Council staff at every level.

**Mike Theelen**

*Chief Executive*
*Queenstown Lakes District Council*

# QLDC financial results at a glance 2019/20

## STATEMENT OF FINANCIAL PERFORMANCE

QLDC recorded a surplus of $51.4m for the year. This is marginally down from the $52.9m surplus recorded last year but up against a budget of $50.2m. The main reasons for the higher surplus against budget are related to higher than expected revenue ($19.8m) to budget.

Revenue was above estimate by 9.7% or $19.8m and expenditure was over by 8.6% or $13.2m. This reflects continued high levels of activity for the first 9 months of the financial year. The impact of COVID-19 had a significant negative impact on both revenue and expenditure in the fourth quarter.

***The following major items contributed to this variance:***

- Increased vested asset income of $42.3m for the year; this non-cash income reflects the value of assets passed to Council as a result of continued high levels of development activity in the district.
- An increase in development contribution income of $2.0m which is related to the level of development activity within the district. This income can only be used to fund growth related capital expenditure.
- The delay associated with the Queenstown Arterials project created an unfavourable variance of $20.2m in expected grants and subsidies .

***The surplus includes the following:***

- $5.1m of net unrealised losses as a result of the revaluation of investment property, interest rate swaps and forestry assets as at 30 June 2020.

Operating expenditure was $13.2m (8.6%) over budget for the year ended 30 June 2020. $6.6m of this negative variance is due to an increase in loss provision to defend and resolve a number of building-related legal claims against the Council. The major remaining operational cost variances are as follows:

- Depreciation and amortisation expense higher than budget by $9.0m, largely as a result of updated valuations for infrastructure assets for 3 waters assets in 2019.
- Interest expense for the year is $5.0m less than budget. This is a result of the timing of some capital works and lower than expected interest rates.
- Costs for road maintenance were $2.3m above budget for the year, mainly as a result of emergency work along with environmental maintenance.
- There was $2.0m of costs originally included within capital budgets which have been transferred to operational costs as they cannot be capitalised. This is not overspend but a change of classification.
- Similarly, there was $0.8m of costs associated with freedom camping initiatives funded by central government which were included within capital budgets which have been transferred to operational costs as they cannot be capitalised.
- The negative variance for operational costs was offset by a $4.5m positive variance as result of the delay of the Coronet Forest harvest.

## FINANCIAL IMPACT OF COVID-19

The financial impact of COVID-19 on the Council is not immediately apparent because of the increased vested asset income of $42.3m for the year. This significant variance of non-cash income and the variances in other revenue items tends to mask the impact in the high level financial statements.

The financial impact of COVID-19 on the Council is significant and resulted in reduced revenues against budget of $4.8m for the fourth quarter for the following areas:

> Consenting income down to $1.36m
> Rental income down $0.92m
> Recreation revenues down $0.8m
> Solid Waste income down $0.63m
> Infringement income down $0.62m
> Parking income down $0.39m
> Licensing income down $0.12m

The main impact from an expenditure perspective were the costs associated with the welfare response which Council administered up until July 2020.

Welfare related payments totalling $2.85m were made during this period. Council was subsequently reimbursed by the Government for most of this cost with $2.79m showing as favourable unbudgeted income.

On 19 August 2020 the QAC Board resolved that no final dividend for the year ended 30 June 2020 would be paid to shareholders, this will impact the 2020/21 financials.

## STATEMENT OF FINANCIAL POSITION

The main variances relate to the difference in expected asset values for the year and reduced borrowings. The following items contributed to this variance:

Large movements in infrastructure values as a result of infrastructure revaluations in both 2019 and 2020. These are summarised below:

> 2019 Increase in infrastructure value: $380m with Roading increasing by $75.1m and 3 Waters assets by $304.9m.

  2020 Increase in infrastructure value: $184.5m with Roading increasing by $184.5m.

  Offsetting this, capital expenditure was below estimate by $108.1m for the year ended 30 June 2020. This relates mostly to timing differences in the following areas: Transport $16.2m; Water Supply $17.6m; Wastewater $9.6m; Housing Infrastructure Fund projects $6.7m; Community Services $11.5m.

> Lower than forecast capital expenditure in the last four years, as well as the sale of the Scurr Heights land in 2016 and the prepayment for the Wanaka Airport lease last year, results in borrowings that are $112.8m below forecast. Total debt as at 30 June 2020 is $118.8m compared to a forecast of $231.9m.

## STATEMENT OF CHANGES IN EQUITY

Accumulated differences between actual and budgeted net surpluses as described above for 2019 and 2020, as well as the impact of infrastructure asset revaluations; prior investment property revaluations and reduced borrowings, has resulted in an equity variance of $557m above forecast.

## STATEMENT OF CASH FLOWS

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows, particularly cash flows from investing and financing activities. Cash payments for the purchase of property, plant and equipment (i.e. capital expenditure) were $97.2 million below estimate and consequently, net borrowings were around $82.0 million less than expected. Cash flows from operating activities were $22.8m below budget mainly as a result of COVID-19.

# Financial strategy

The Financial Strategy must show prudent financial management by the Council and act as a guide when making large funding decisions. It also outlines how the Council will tell the story about projects, so that the community can understand the implication of big decisions on things like rates, debt and investments. The strategy is contained in full in Volume 2 (pp 8-21) of the 2018 Ten Year Plan www.qldc.govt.nz.

The Council's Financial Strategy is aimed at responding to the needs of our district today and into the future in a responsible and affordable way. It is important that the costs of providing facilities with long lives are shared between today's ratepayers and those in the future. It is also critical that an alternative funding mechanism to support the continued investment in tourism-related infrastructure is agreed with Central Government. It is unreasonable to expect local ratepayers to fund tourism-related infrastructure where it can be demonstrated that the main beneficiaries are visitors to the district, the wider region and New Zealand as a whole.

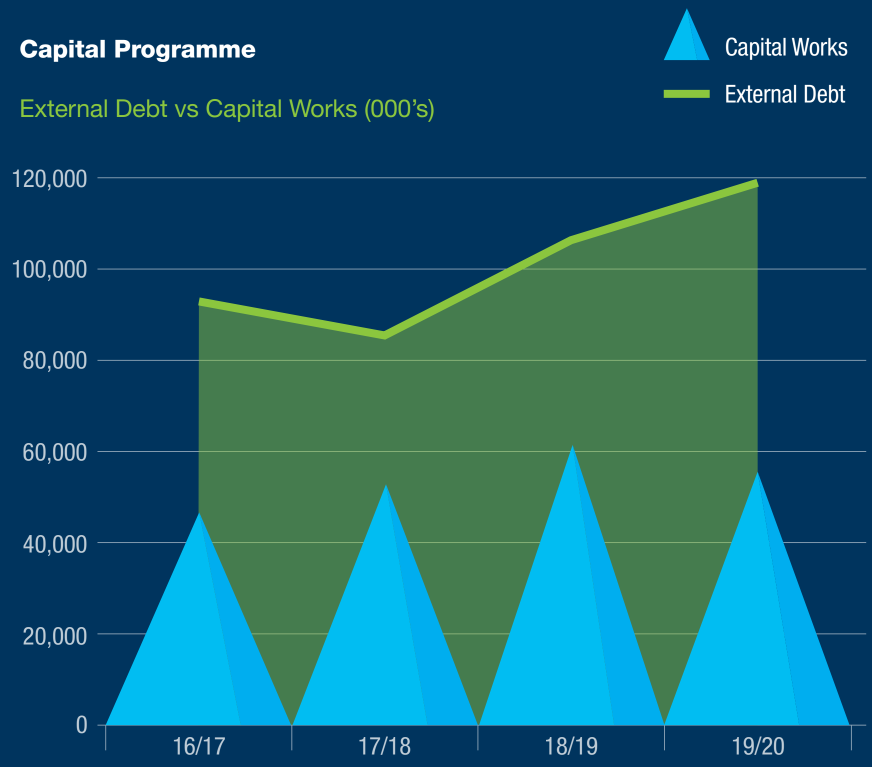
***If this aim is successfully realised, the following outcomes should be achieved:***

- a prioritised capital programme, delivering the 'right' projects ahead of growth so that development is supported in the appropriate areas;
- rates increases (subject to changes in growth forecasts) are set at maximum of 10.8% gross (7% net) per annum for the first three years and 9.0% gross (5.5% net) per annum for years four to ten;
- debt levels maintained at affordable levels (i.e. within borrowing limits);
- debt levels at the end of the ten year period have stabilised and sufficient headroom exists to provide financing flexibility for future councils; and
- excellent service continued to be provided within financial constraints.

## REPORTING BACK ON FINANCIAL STRATEGY

**Capital Programme**

External Debt vs Capital Works (000's)



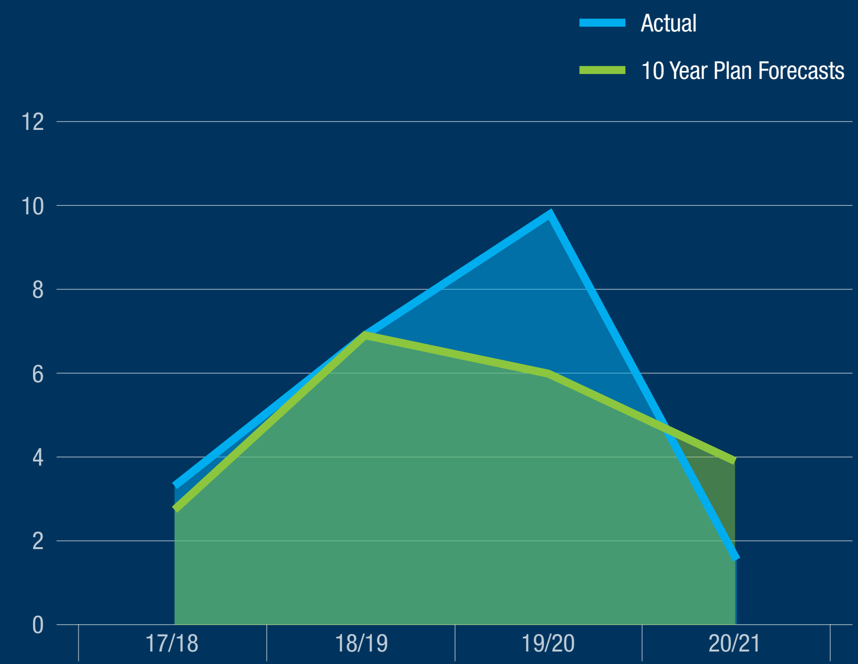

The graph above shows that the actual spend on capital projects has increased significantly for the last three years compared to 2016/17. The result for 2019/20 is still some $113.8m short of the original 2018 Ten Year Plan budget for 2019/20. This is due to primarily to the deliberate re-programming of the 3 Waters capital programme and the delay in the NZTA approval process for major transport improvements in Queenstown.

## RATES

The graph below shows the actual rates increases over the past four years compared to the increases forecast in the Ten Year Plan. The total rates for 2020/21 are lower than forecast and reflect the revised Annual Plan for 20/21 which incorporates Council's short term response to COVID-19. The rates reduction was achieved through a comprehensive review of operational costs and capital funding whilst not altering levels of service for ratepayers.

Note the actual increase is based on total rates revenue and does not take into account the growth in rating database.

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

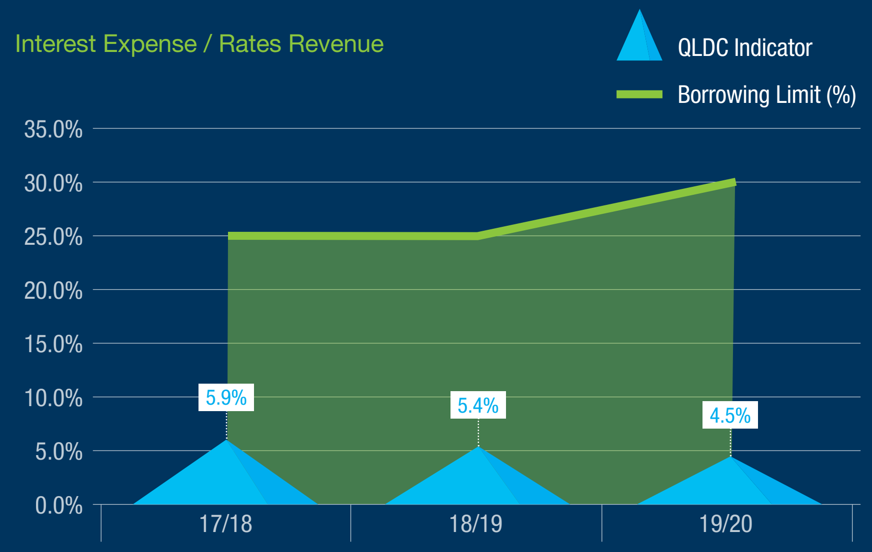


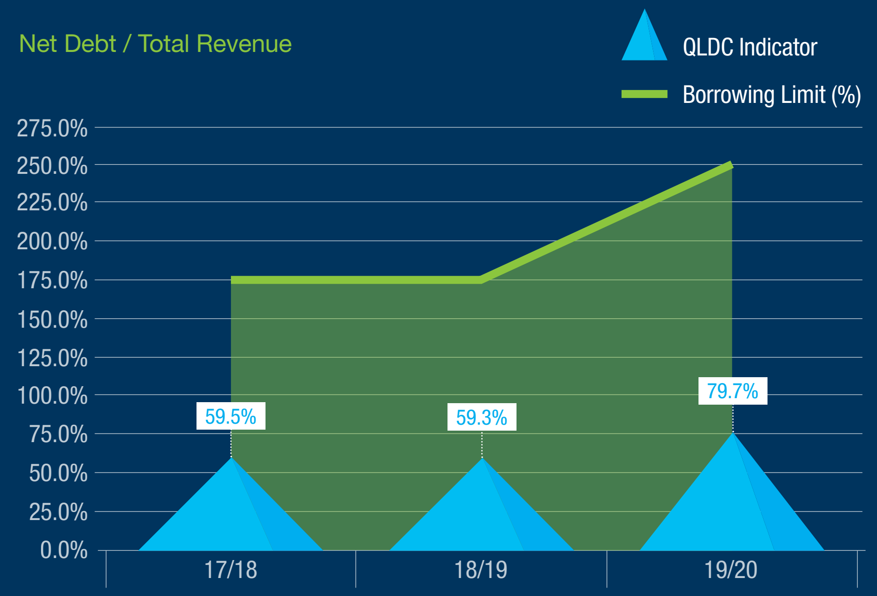
## DEBT LEVELS

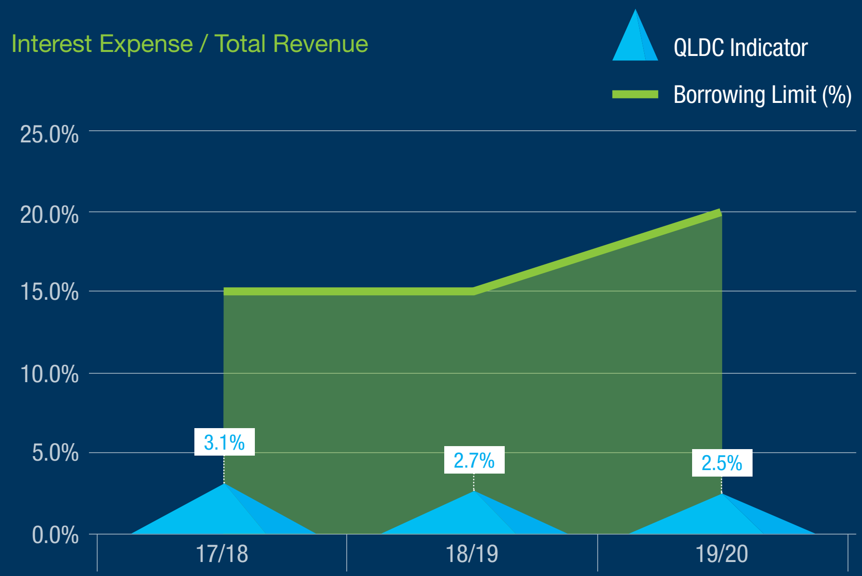
In order to deliver the large capital programme included in the 2018-28 Ten Year Plan, the Council will need to rely on borrowing. The Council has spent a considerable amount of time and effort working through the capital programme to ensure it is affordable and deliverable. The actual external debt at 30 June 2020 was $118.8m; this is $12.5m more than June 2019 and $130.0m less than the amount forecast in the 2018 Ten Year Plan. This is largely due to the re-programming of the 3 Waters capital programme and the delay in the NZTA approval process for major transport improvements in Queenstown.

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

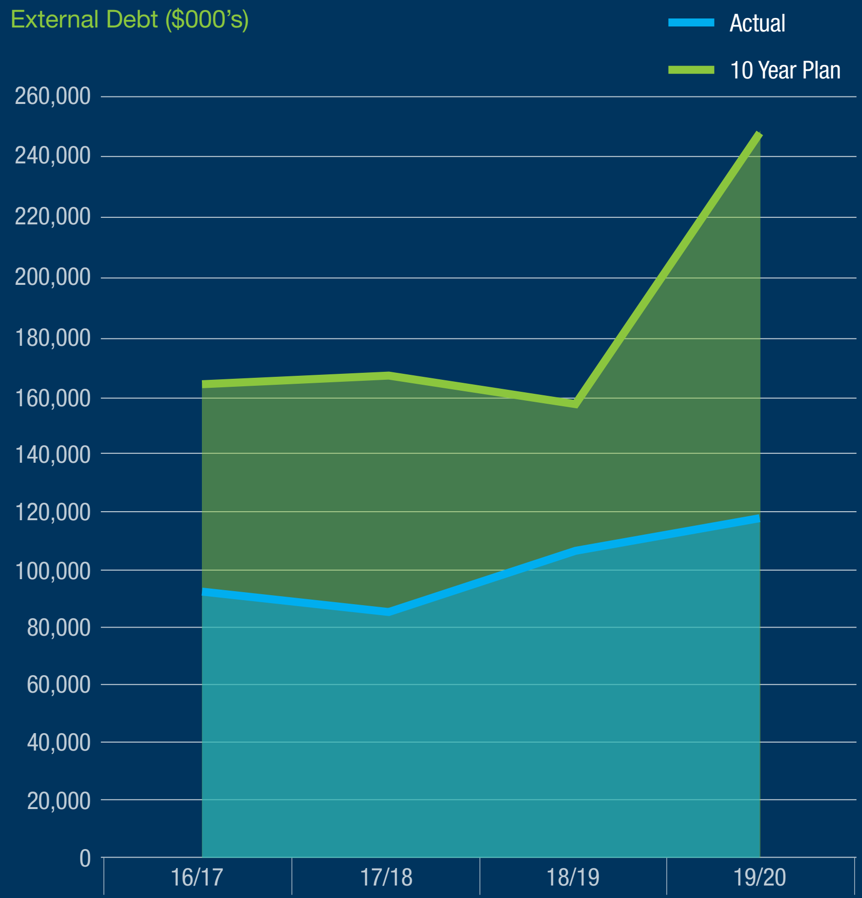
| ***LGFA Borrowing Limits (%)*** | ***Actual 2017/18*** | ***Actual 2018/19*** | ***Actual 2019/20*** | ***Forecast 2019/20*** |
|---|---|---|---|---|
| Interest Expense/ Rates < 30% | 5.9% | 5.4% | 4.5% | 12.6% |
| Interest Expense/ Total Revenue < 20% | 3.1% | 2.7% | 2.5% | 5.7% |
| Net Debt/Total Revenue < 250% | 59.5% | 59.3% | 79.7% | 137.3% |






The following graph shows the forecasted debt levels compared to actual debt levels up to 2019/20. As can be seen, actual debt levels are significantly reduced. The actual external debt at 30 June 2020 was $118.8m and is $130.0m less than the amount forecast in the 2018 Ten Year Plan. This is explained in detail on page 8.




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

## CAPITAL WORKS 2019/20

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

| Project | Cost at Year End 2020 ($) |
|---|---|
| QEC roof and ventilation improvements | 4,513,717 |
| Recreation Ground new wastewater pump station | 3,870,413 |
| Arrowtown new water pump station and bores | 1,890,269 |
| North East Frankton stormwater conveyance | 1,851,638 |
| Queenstown Town Centre pedestrianisation | 1,354,641 |
| Wakatipu - sealed road resurfacing | 1,334,119 |

Carry-forward projects totalling $67.75m were approved by the Council in August 2020 for completion in 2020/21. Projects in excess of $500k are as follows:

| Project | Budget deferred at Year End 2020 ($) |
|---|---|
| Shotover Country water supply new water treatment plant | 6,592,409 |
| Wanaka Lakefront Development Plan | 3,586,514 |
| Hawea wastewater connection to Project Pure wastewater treatment plant | 2,886,464 |
| Frankton water supply rising main (BP Station to Kawarau Bridge) | 2,640,770 |
| Wanaka - minor improvements | 2,524,358 |
| Cardrona new wastewater scheme | 2,332,567 |
| Artificial turf programme | 2,180,146 |
| HIF Quail Rise to Hawthorne Drive stage one | 2,147,387 |
| Beacon Point new reservoir | 2,074,823 |
| Crown Range Special Purpose Road - sealed road resurfacing | 1,580,629 |
| Kingston HIF wastewater new scheme | 1,415,633 |
| Project Shotover wastewater treatment plant upgrade | 1,328,649 |
| Queenstown parking improvements | 1,311,074 |
| Glenorchy Special Purpose Road - minor improvements | 1,268,759 |
| Park and Ride transport services | 1,248,033 |
| Shotover Country rising main (bridge) | 1,239,729 |
| Wakatipu Active Travel Network | 1,064,788 |
| Wakatipu - sealed road pavement rehab | 930,120 |
| Quail Rise new reservoir | 853,385 |
| Alpha Series stormwater bypass | 842,129 |
| 516 Ladies Mile highway development | 762,081 |
| Glenorchy reservoir upgrade | 745,937 |
| Frankton Campground upgrade | 743,874 |
| Project Pure wastewater treatment plant upgrade | 739,779 |
| Kingston HIF water supply new scheme | 732,344 |
| Coronet Forest revegetation | 643,187 |
| Wanaka - sealed road pavement rehab | 618,638 |
| Crown Range Road - sealed road pavement | 602,918 |
| Wastewater - renewals - Queenstown | 595,015 |
| Luggate Hall replacement | 581,277 |
| Wakatipu - unsealed road metalling | 567,344 |
| Kingston HIF stormwater new scheme | 525,203 |
| Wanaka Recreation Centre prefab | 508,673 |

# Fact file

## PROJECTIONS

**Growth and population assumptions**

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

***Projections have been developed for:***

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

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

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

## USUALLY RESIDENT POPULATION

| Usually Resident Population | 2019 | 2028 | 2048 |
|---|---|---|---|
| Wānaka Ward | 13,000 | 18,300 | 24,300 |
| Wakatipu Ward | 28,400 | 38,100 | 50,100 |
| Whole District | 41,400 | 56,400 | 74,400 |

## AVERAGE DAY POPULATION

*Source: QLDC Projections to 2058, December 2018*

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

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

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

## PEAK DAY POPULATION

*Source: QLDC Projections to 2058, December 2018*

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

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

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


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

# Delegated responsibilities as at 30 June 2020

## COUNCIL COMMITTEES

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

## COUNCILLORS

### MAYOR

Jim Boult

### ARROWTOWN WARD

Heath Copland

### WAKATIPU WARD

Penny Clark

Craig (Ferg) Ferguson

Niki Gladding

John MacDonald

Valerie Miller

Glyn Lewers

### WĀNAKA WARD

Calum Macleod
*Deputy Mayor*

Niamh Shaw

Quentin Smith

## WĀNAKA COMMUNITY BOARD

**CHAIR**

Barry Bruce

**DEPUTY CHAIR**

Ed Taylor

Calum Macleod

Chris Hadfield

Niamh Shaw

Quentin Smith

Jude Battson

## MANAGEMENT GROUP

### CHIEF EXECUTIVE

Mike Theelen

### GENERAL MANAGERS

Meaghan Miller
*GM, Corporate Services*

Stewart Burns
*GM, Finance, Legal and Regulatory*

Peter Hansby
*GM, Property and Infrastructure*

Tony Avery
*GM, Planning and Dvelopment*

Thunes Cloete
*GM, Community Services*

# Contact us

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### FACEBOOK

@QLDCinfo

### INSTAGRAM

@queenstownlakes

### QUEENSTOWN AIRPORT CORPORATION LIMITED*

Terminal Building, Queenstown Airport
PO Box 64, Queenstown

Phone: 03 442 3505

** A Council-controlled trading organisation*

### AUDITORS

Deloitte Limited on behalf of the office of the Auditor General

Auckland

### SISTER CITIES

Aspen, Colorado, USA (Queenstown)

Hangzhou, China

# Governance report

## ROLE OF COUNCIL

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

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

## COUNCIL OPERATIONS

The Council (elected members) appoints a Chief Executive to manage its operations under the provisions of section 42 of the Local Government Act 2002. The Chief Executive has in turn appointed divisional managers to manage the Council's significant activities.

## COUNCIL COMMITTEES

In addition to the full Council which meets six weekly, the Council has four standing committees, and various other committees formed for specific tasks to monitor and assist in the effective delivery of the Council's specific responsibilities. A revised committee structure increasing standing committees to four and changing full Council to meet six weekly was introduced in December 2016.

***The Council committees include:***

- Audit, Finance and Risk Committee
- Planning and Strategy Committee
- Infrastructure Committee
- Community and Services Committee
- Appeals Subcommittee
- Traffic and Parking Subcommittee
- District Licensing Committee
- Chief Executive Performance Review Committee
- Governance Subcommittee
- Elected Members Code of Conduct Committee

***The following committees are convened as required:***

- Dog Control Committee
- QLDC/CODC Coronet Forest Joint Committee

Each committee is responsible for providing additional assurance on the integrity of information being presented and the operation of the activity.

The Wānaka Community Board is QLDC's only Community Board.

## DIVISION OF RESPONSIBILITY BETWEEN COUNCIL AND MANAGEMENT

Key to the efficient running of the Queenstown Lakes District Council (QLDC) is the clear division between the role of elected members and that of management. The Council concentrates on setting policy and strategy, while management is concerned with implementing policy and strategy and monitoring these approaches. While many of the Council's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Council. Internal control includes the policies, systems and procedures established to provide measurable assurance that specific objectives of the Council will be achieved. Both Council and management have indicated their responsibility with their signing of the Statement of Compliance and Responsibility on page 23 of this report.

## AUDIT

The Council uses external auditors to evaluate the quality and reliability of financial information reported in the Annual Report.

## RISK MANAGEMENT

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

## LEGISLATIVE COMPLIANCE

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

## RELATIONSHIP WITH MĀORI

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

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

In the 2018 year we embarked on a new programme of staff development to develop a greater understanding of the treaty and our obligations as local government. Staff began development on this programme early in 2018 which is now a standard part of the induction for all new employees. In early 2020, staff began a revision of the content to include more relevance of Kāi Tahu tikaka and history with an updated programme to be rolled out once this work is completed.

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

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

# Statement of compliance and responsibility

## COMPLIANCE

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

## RESPONSIBILITY

The Council and management of Queenstown Lakes District Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them. The Council and management of Queenstown Lakes District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the opinion of the Council and management of Queenstown Lakes District Council, the annual Financial Statements for the year ended 30 June 2020 fairly present the financial position and operations of Queenstown Lakes District Council.

**JIM BOULT**

*Mayor*
29 October 2020

**MIKE THEELEN**

*Chief Executive*
29 October 2020

# Section 02: Statement of service performance

# Wāhaka 2: Te tauākī ā kā ratoka kaunihera

# COVID-19 update

The preparedness of QLDC to effectively respond to a Civil Defence Emergency has been actively demonstrated through its response to the COVID-19 pandemic. This ongoing health emergency has had a profound global impact and resulted in only the second declared State of National Emergency in New Zealand's history. While the effects of the pandemic have been felt across all New Zealand, the Queenstown Lakes district has been disproportionately impacted in terms of transmission rates, social hardship and economic fallout.

The financial implications of COVID-19 is not apparent due to the increased vested asset income of $42.3m for the year. This significant variance in non-cash income and the variances in other revenue items tends to mask the impact in the high-level financial statements.

However, the impact will be significant and has already resulted in reduced revenues against budget of 4.8m for the fourth quarter of 2019-20 in the following areas:

- Consenting income down $1.36m
- Rental income down $0.96m
- Recreation revenues down $0.8m
- Solid Waste income down $0.63m
- Infringement income down $0.62m
- Parking Income down $0.39m
- Licensing income down $0.12m

In terms of expenditure, the main costs to the Council were associated with the welfare response, which QLDC administered until July 2020. Welfare related payments totalling $2.85m were made during this period. QLDC was subsequently reimbursed by the government for most of this cost with $2.79m showing as favourable unbudgeted income.

## THE RESPONSE

Preparations for the impending pandemic event began in mid-February with the updating of the QLDC Pandemic Response Plan. This plan needed to become reality on Saturday 14 March when the Queenstown Lakes District registered its first COVID-19 positive patient. This milestone triggered the activation of the following Council COVID-19 functions:

- CDEM Emergency Operation Centre (EOC)
- QLDC Business Continuity Response Team
- QLDC Recovery Team

Each of these functions has focussed on a key element of the council's duty to provide leadership throughout the COVID-19 pandemic and safeguard the welfare and continuity of Council services to the community. This has involved a significant investment by Council in terms of training, staffing, resourcing and financial expenditure to ensure that all current and future challenges associated with COVID-19 were managed as effectively as possible.

The CDEM response ended on 1st July with a transition to DIA/ Red Cross. Over the course of the 15 week activation the following priorities were effectively managed:

- Leading the logistical effort to find quarantine accommodation for positive COVID-19 patients and self-isolation accommodation for international tourists and returning nationals.
- Support Public Health South with border control at QAC.
- Developing and deploy plans for managing the significant number of freedom campers under alert level four.
- Facilitating the Health Sector Liaison Group to help develop contingency plans for the predicted surge in local community COVID-19 transmission.

- Supporting Wellsouth with the setup of Community Based Assessment Centre's at Lake Hayes Pavilion, Memorial Hall and Pak N Save.
- Developing a welfare team structure and supermarket voucher system from scratch that would work under level four lockdown protocols. The Welfare team supported 7,376 individuals who submitted over 23,340 welfare requests for such items as food vouchers, primary health care, mental health support, clothing, household goods, firewood etc.
- The development of a bespoke software system to support the escalating caseload of welfare registrants.
- Working with Volunteer Central to recruit, train, roster and manage a significant number of volunteers to support the welfare effort.
- Collaborating with Salvation Army, Happiness House, Baskets of Blessing, Central Lakes Family Services, Citizens Advice etc to help ensure the agencies had the capacity and support to deliver their services.
- Establishing a repatriation working group which facilitated the complex task of advocating and supporting locally based foreign nationals with their repatriation planning.
- Working with local medical practices and community funders to help ensure that vulnerable members of the community had access to primary health care and mental health support.

QLDC worked throughout with Emergency Management Otago and NEMA to advocate for the acute needs of our community.

## RECOVERY

QLDC activated its Recovery team in conjunction with the EOC and work began immediately to address the impacts the crisis was having on our community and economy. A virtual team was created to address a complex, uncertain and emerging situation. The role of the team was to:

- Plan for the social and economic recovery of the district in pursuit of Vision Beyond 2050.
- Implement key initiatives via a network of key partners, groups and leaders.
- Support a network of collaboration between government, charities, businesses, community groups and the public.
- Ensure the flow of reliable information and data.
- Build a strong relationship with the EOC to ensure consistency of approach, evolution and consistency.
- Manage key stakeholders and key risks.
- Ensure the flow of funding and resources to deliver initiatives.
- Embed Recovery activity in the day to day work of QLDC as appropriate.
- Monitor, evaluate and report on progress.
- Advocate to all relevant agencies and parties for the needs of the district.

***Successes included:***

- Rapid assessment of impact on rates, leases and concessions income for QLDC.
- Working with the EOC to develop a welfare model, then initiating the Kia Kaha Community Hub, including representatives from Immigration, MSD, Wellbeing groups and NGOs.
- Establishment of a business recovery group in partnership with the Chambers, Regional Tourism Organisations and MBIE. Met every day initially, then twice weekly and now weekly.

# What's new?

- Initiating a Mayoral Taskforce for Tourism and Short Term Recovery (advisory group)
- Initiating a community-led, Regenerative Recovery Advisory Group
- Securing $85m in CIP funding for the Queenstown Streetscapes and stage one of the Arterials; three other "shovel ready" programmes of work await announcement of decisions
- Securing inclusion of the Arterials project in the RMA Fast-tracked Consenting Bill.
- Securing $1.4m MBIE funding for labour initiatives, recovery and data management
- Regular meetings with community funders (e.g. CLT, Southern Lakes and Greatest Needs Fund) to find innovative solutions to immediate needs
- Launching a 'conservation workforce alliance' pilot in partnership with local tourism businesses, NGOs, conservation groups and DoC, to redeploy workers into nature-based jobs.
- Joining the 'In the Wild' Partnership with DoC and the ORC.
- Completing stage one of the 'Diversification Plan' – economic stocktake – stage two underway
- Establishing a collaborative approach to the development of a Destination Management Plan, working in partnership with the two RTOs. Funded via MBIE.
- Preparing to launch Torokiki, a community collaborative idea management platform
- Development of regular data and intelligence report for all agencies and partners. Identification of data gaps and future scenario requirements.

## QUALITY OF LIFE SURVEY

This Annual Report reflects the findings from the second year of QLDC's Quality of Life survey. The survey explores the wellbeing of communities, as well as reflecting on the services QLDC provides directly. High levels of engagement were observed again this year. A copy of the 2019 survey report can be found on the QLDC website. The next survey will run from 14 September -11 October 2020, with results available early November.

## TREES CITIES OF THE WORLD – SUSTAINABILITY AWARD

The Queenstown Lakes District's reputation as clean, green and sustainable has received a further boost after being named one of New Zealand's three Tree Cities of the World.

The programme, which is run by the Arbor Day Foundation and the Food and Agriculture Organization of the United Nations, recognises select cities that make the planting and care of trees a priority.

The judges looked at factors including the amount of trees planted over the past year, tree policies and volunteer tree planting numbers. They praised the district's commitment to effective urban forest management.

Along with Auckland and Wellington, other Tree Cities include Paris, Milan, Madrid, Toronto, Washington DC and New York City.

## WASTE MINIMISATION COMMUNITY FUND

Community zero waste initiatives have received a funding boost for the second year running. Grants totalling $60,000 have been allocated through the Queenstown

Lakes District Council (QLDC) Waste Minimisation Community Fund to local initiatives.

The grants approved through the 2020 funding round include:

> Wastebusters and One New Zealand, Better Building Resource Circulation: Resource recovery campaign aimed at trading or donating excess construction material instead of sending it to landfill.

> The Hawea Grove, Hawea Grove Eco Building Webisode Series: A project aimed to raise awareness about the waste generated from a house build by documenting the process and sharing learnings, from decision-making right through to completion.

> Sustainable Queenstown, Bringing RefillNZ to Queenstown: Preventing plastic pollution by making it easier to refill reusable water bottles rather than buying water in single-use plastic bottles.

> Queenstown Chamber of Commerce, Undertake waste audit process for Queenstown Lakes businesses: Helping a representative selection of businesses within our district to improve their waste and recycling practises.

> Queenstown Golf Club, Composting Organic Waste: Reducing organic waste by implementing a system to compost the Golf Club cafe food waste and green waste from onsite operations. Learnings will be shared with club members and local golf associations.

> Chunky Limited, Chunky Loan Cup: Reusable loan cup scheme for Queenstown cafes.

The second funding round has delivered an inspiring mix of waste reducing initiatives and QLDC are excited to watch what applicants will achieve and how their projects will inspire the whole community towards zero waste

## CLIMATE ACTION PLAN

The Climate Action Plan was adopted on 12 March and will help guide local action as we all rise to and meet the challenge of the climate change emergency (declared in June 2019).

As a Council, QLDC has embarked on a journey towards a major organisational behaviour shift which will lead the way for residents and business communities. Part of this means ensuring climate change considerations are reflected in decision-making, policy-setting, projects and service delivery.

The Climate Action Plan is the first of many for our district. It starts to identify ways in which we can reduce emissions and sets a strategic direction for adapting to and mitigating the effects of climate change. It incorporates feedback received on the draft plan and is designed to remain flexible as we gain a greater understanding of the challenges faced and the technological advances that will help us develop potential solutions.

The Climate Action Plan will be reviewed annually and will look forward three years.

# A unique place.
# An inspiring future.

# He Wāhi Tūhāhā.
# He Āmua Whakaohooho.

VISION BEYOND 2050

## Thriving people | Whakapuāwai Hapori

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

- Ours is the most accessible, barrier-free district in Aotearoa New Zealand for all people
- People of all ages are able to seek a future here
- Everyone can find a healthy home in a place they choose to be
- Our environments and services promote and support health, activity and wellbeing for all
- Our doors and minds are open; everybody is warmly welcomed

## Embracing the Māori world | Whakatinana i te ao Māori

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

- We celebrate the unique history of our rohe and Aotearoa New Zealand
- Our kōrero is strong in both Te Reo and English
- Our diverse, multicultural past and present strengthens our district's future
- Our Māori ancestry and European heritage are both reflected and enrich our lives

## Opportunities for all | He ōhaka taurikura

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

- Our economy is strong and diverse with sustainable and inclusive growth
- Ours is a place that works hard and thinks big, where workers and entrepreneurs flourish and inequality is reduced
- Technology enables us to connect locally, regionally and globally

## Breathtaking creativity | Whakaohooho Auahataka

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

- Our breath-taking landscapes and diverse people attract strong talent and create space for reflection
- Free-thinking innovation and locally distinct arts make our place a byword for brilliance
- Artists and art lovers unite in both dedicated spaces and beyond the boundaries of venues and facilities
- Our economy supports arts, culture and heritage industries

## Deafening dawn chorus | Waraki

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

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

## Zero carbon communities | Parakore hapori

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

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

## Disaster-defying resilience | He Hapori Aumangea

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

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

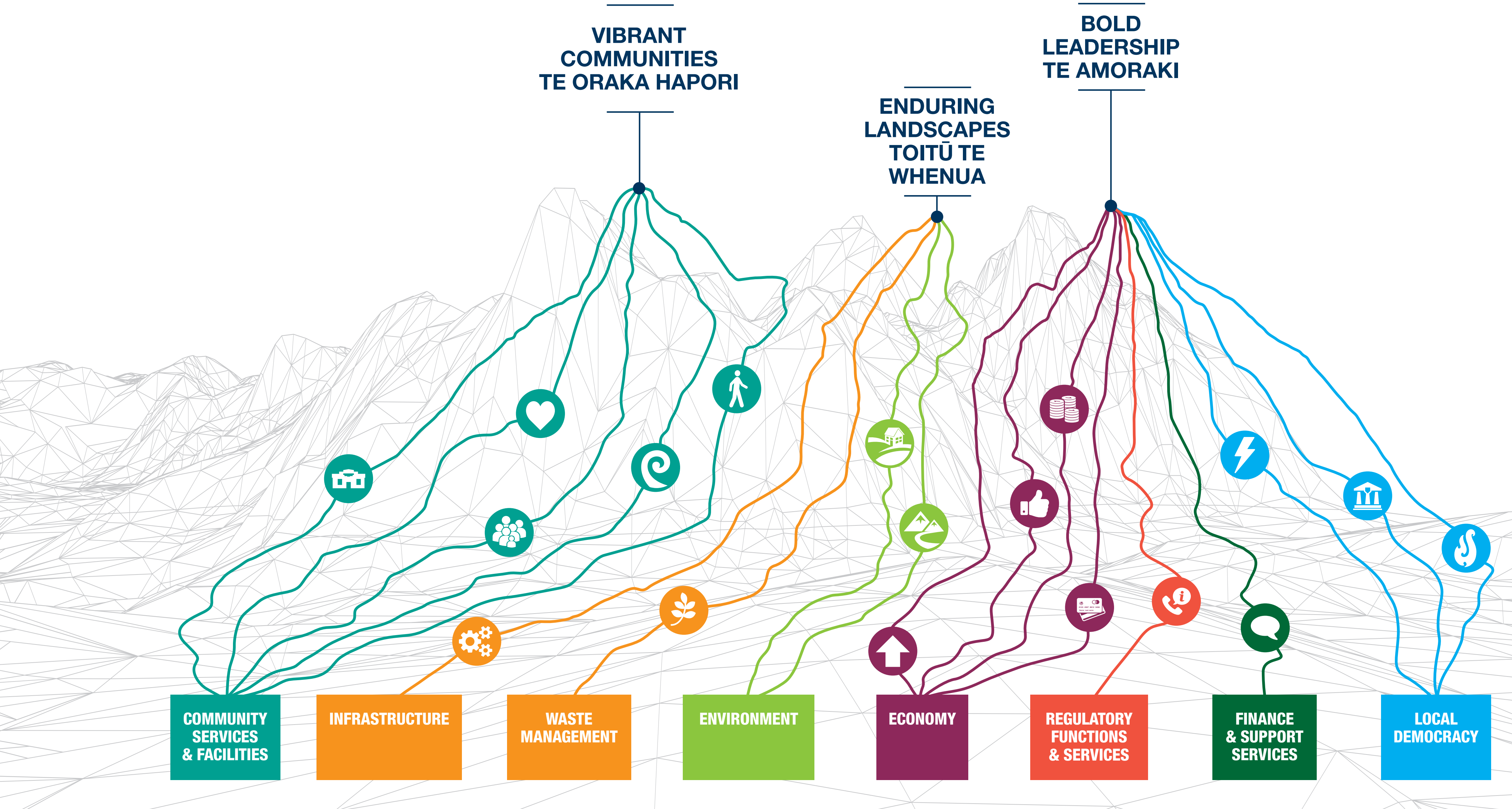
## Pride in sharing our places | Kia noho tahi tātou kātoa

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

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

# Vision, community outcomes and activities

## QLDC'S VISION



## OUR COMMUNITY OUTCOMES

### COMMUNITY SERVICES & FACILITIES

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

### INFRASTRUCTURE AND WASTE MANAGEMENT

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

### ENVIRONMENT

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

### ECONOMY

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

### REGULATORY FUNCTIONS & SERVICES

- A responsive organisation

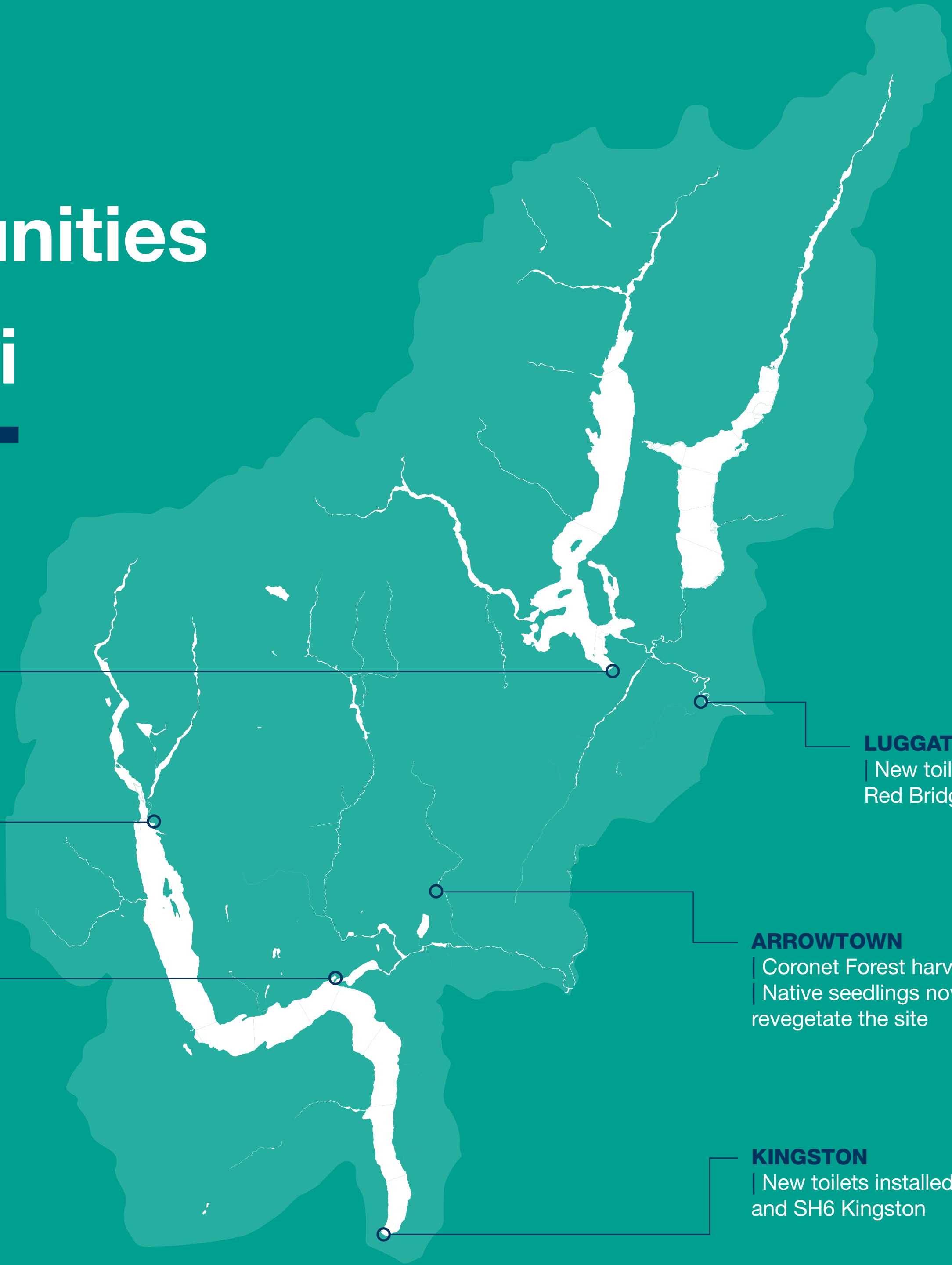
### FINANCE & SUPPORT SERVICES

- An organisation that consults effectively and makes sound decisions

### LOCAL DEMOCRACY

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

# Vibrant communities
# Te oraka hapori



**WĀNAKA**
| Contract awarded for Wānaka skate park repairs and design and build of stage three
| Floodlights installed at Wānaka Recreation Centre sports fields
| Wānaka Recreation Masterplan completed
| Development plans on the Wānaka Lakefront underway

**GLENORCHY**
| New toilet installed at Glenorchy skate park

**WAKATIPU**
| The Queenstown Lakes-Central Otago Sport & Recreation Facilities Strategy completed
| Queenstown Events Centre Masterplan completed
| Queenstown Gardens development plans underway

**LUGGATE**
| New toilet installed at Luggate Red Bridge

**ARROWTOWN**
| Coronet Forest harvest underway
| Native seedlings now propagating to revegetate the site

**KINGSTON**
| New toilets installed at Kingston Domain and SH6 Kingston

# Community services and facilities

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

# About community services and facilities

## WHAT WE DELIVER

The Queenstown Lakes district has eight public libraries which are linked in a joint venture with Central Otago District Council (CODC). The combined library service provides borrowers with access to all 15 branches across both districts and online services through the library website.

QLDC is responsible for over 2,500 ha of parks and reserves. It provides playgrounds, facilitates activities, and maintains a network of walking and cycle trails. Our staff are the custodians of the Queenstown Gardens and all amenity horticulture work within the Queenstown, Arrowtown and Wanaka CBDs.

QLDC owns three forests: Ben Lomond Reserve, Queenstown Hill Reserve, and Coronet Forest. Ben Lomond and Queenstown Hill are managed as recreational forests. The Coronet forest is a significant seed source of wildings, in 2017 QLDC voted unanimously to adopt a recommendation to harvest the Forest early.

QLDC's venues and facilities provide a range of sport, recreation and aquatic facilities throughout the district. While some of these venues are large, multi-purpose recreational facilities, the focus of our local community facilities is to support our community with activities and events. The Sport and Recreation team delivers a wide range of programmes and activities from fitness centres, including group fitness classes, holiday programmes and learn to swim classes at its pools.

There are 78 public toilets throughout the district. New public toilets are fitted with usage counters to enable continuous improvement and to ensure all public toilets are clean, accessible and conveniently located.

The QLDC manages 12 cemeteries, many of which are of historical significance. A cemetery opened at Lower Shotover in 2018.

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

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

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

- The Coronet Forest harvest began in January 2020. Native seedings are now propagating for revegetating the 173 hectare site.

- The premier trails in Wanaka and Wakatipu were added to google maps earlier this year. Safety improvements (including handrails) have been installed on the Kelvin Peninsula Trail and Arrowtown River Trail.

  The tracks and trails network community profile continues to grow strongly, with the volume of users increasing. The diversity of users is evident with greater numbers of commuters as well as recreational users. Feedback from stakeholders suggests there is an appropriate level of respect amongst trail users including the use of electric bikes and scooters which have increased the speeds of users.

  With assistance from the Tourism and Infrastructure Fund (TIF), QLDC has installed seven new toilets (Kingston Domain, Kingston SH6, Glenorchy skate park, Luggage Red Bridge, Albert Town, Willow Bay, John's Creek) and is in the process of installing five more (Lake Hayes rowing club, Glenorchy, Bennett's Bluff, Peter Fraser Park, Bendemeer Bay)

- The Parks and Reserves team are currently updating QLDC's Open Spaces Strategy.

- The team is drafting new management plans for reserve areas and updating and amending the current Reserve Management Plans.

  The team has been working with the Community on Development plans for the Wanaka Lake Front and the Queenstown Gardens. Stage three of the Wanaka Lake Front (a boardwalk and improved active travel route) is currently out for tender with construction work to start in summer 2020. QLDC has been working with Iwi and Stakeholders on the concept plan for upgrading the pathways, signage and lighting in the Queenstown Gardens.

  The contract has been awarded for the Wanaka Skate Park repairs and design and build of Stage three. Construction will start in summer 2020.

- The Queenstown Lakes-Central Otago Sport and Recreation Facilities Strategy has been completed along with accompanying Masterplans for the Queenstown Events Centre and Wanaka Recreation Centre for the next 30 years.

- Floodlights have been installed at Wanaka Recreation Centre sports fields. This enables more utilisation by football teams during the winter.

- A Community Facility Strategy has also been completed. This is focused on maintaining, developing and building new community facilities across the district.

- The Library Strategy 2020-30 was initially completed in draft in March 2020 and references the International Federation of Library Associations and Institutions (IFLA) Sustainable Development goals.

  It has subsequently been revisited with a COVID-19 overlay to support recovery and is in final draft form.

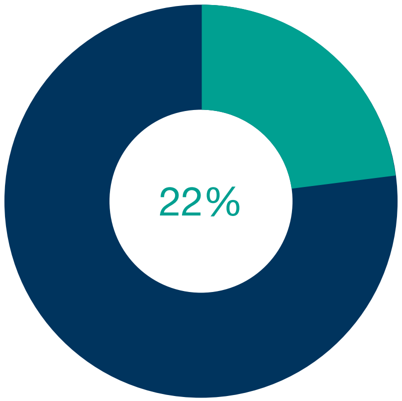
## HOW MUCH IT COST

Breakdown of service cost

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Community Services expenditure of $29,178,000




| Community Services & Facilities | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | 2,183 | 2,248 | 1,300 |
| Targeted rates | 19,003 | 20,294 | 21,200 |
| Subsidies & grants for operating expenditure | 314 | 327 | 2,090 |
| Fees & charges | 5,539 | 9,289 | 5,525 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | 3,077 | 3,104 | 3,578 |
| **Total sources of operating funding** | **30,116** | **35,262** | **33,693** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 21,418 | 25,943 | 24,089 |
| Finance costs | 1,693 | 2,138 | 817 |
| Internal charges applied | 4,198 | 4,158 | 4,272 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **27,309** | **32,239** | **29,178** |
| **Surplus/(deficit) of operating funding** | **2,807** | **3,023** | **4,515** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | 31 | 47 | - |
| Development and financial contributions | 1,706 | 1,706 | 4,914 |
| Increase/(decrease) in debt | 911 | 10,670 | 3,941 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **2,648** | **12,423** | **8,855** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 1,890 | 3,098 | 1,266 |
| - to replace existing assets | 5,876 | 4,746 | 5,797 |
| - to improve the level of service | 4,926 | 8,247 | 4,500 |
| Increase/(decrease) in reserves | (7,237) | (645) | 1,807 |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **5,455** | **15,446** | **13,370** |
| **Surplus/(deficit) of capital funding** | **(2,807)** | **(3,023)** | **(4,515)** |
| **Funding balance** | **-** | **-** | **-** |

| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| Coronet forest harvest income deferred ($1.8m) which is offset with the expenditure being deferred $1.8m. $1.2m additional grants received from Central Government for TIF funds. | TIF funded toilets $1.2m, Wanaka Lakefront Development Plan $0.5m | Artificial turf programme budget $2.4m spend $0 due to reprioritisation to cover the cost escalation for the QEC Roof and Ventilation Improvements project |

**Summary of internal borrowings**

| Activity | 30 June 2020 Internal loan balance $000 | Total funds repaid in the year $000 | Total funds borrowed during the year $000 | Interest paid in the year $000 |
|---|---|---|---|---|
| Community Services & Facilities | 10,550 | 1,055 | 2,247 | 287 |

# Case study – Future Libraries Strategy

The Queenstown Lakes District Library Strategy 2020-2030 was created to provide a direction for how library services will be delivered in the future. The process began in July 2019 with an investment logic mapping exercise to outline current issues which included changing expectations in the delivery of library services, fit for purpose space, responding to demands of diverse communities and the provision of a cultural, heritage and historical focus.

Focus group sessions were held with key stakeholders, including school children, on both sides of the Crown Range. An online survey was available via Council's 'Let's Talk' engagement portal and library users were also able to complete the survey at all eight branches across the district from Kingston to Makarora.

Strategy research began at the end of 2019 and was completed in March 2019 but went back for revision due to the impact of COVID-19 on the Queenstown Lakes district community. The Strategy encapsulates the Queenstown Lakes District Libraries vision: Enriching minds and communities – Te whakapūawai kā hinengaro me kā hapori – to connect people with information, ideas, stories and experiences for learning, literacy, engagement and creativity. It emphasises the role QLDC libraries will play in community recovery post COVID-19 to facilitate community connection, resilience, wellbeing and equity.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 36% | >80% | The result is low due to delaying Wanaka Lakefront Development awaiting outcomes of the Wanaka Town Centre Masterplan and re-prioritisation of capital works due to urgent roof repairs at Queenstown Events Centre. |
| 2018-19 | 132% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 55% | >70% | 55% of respondents have attended or performed in arts and cultural events or groups in the district in 2019-20. This is a decrease compared to the 66% of respondents in 2018-19 and did not achieve the target set to be above 70%. |
| 2018-19 | 66% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 97% | >70% | 97% of respondents rated their quality of life as either average, good or extremely good compared to 2018 where 96% of participants rated their quality of life as average, good or extremely good. |
| 2018-19 | 96% | | |

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

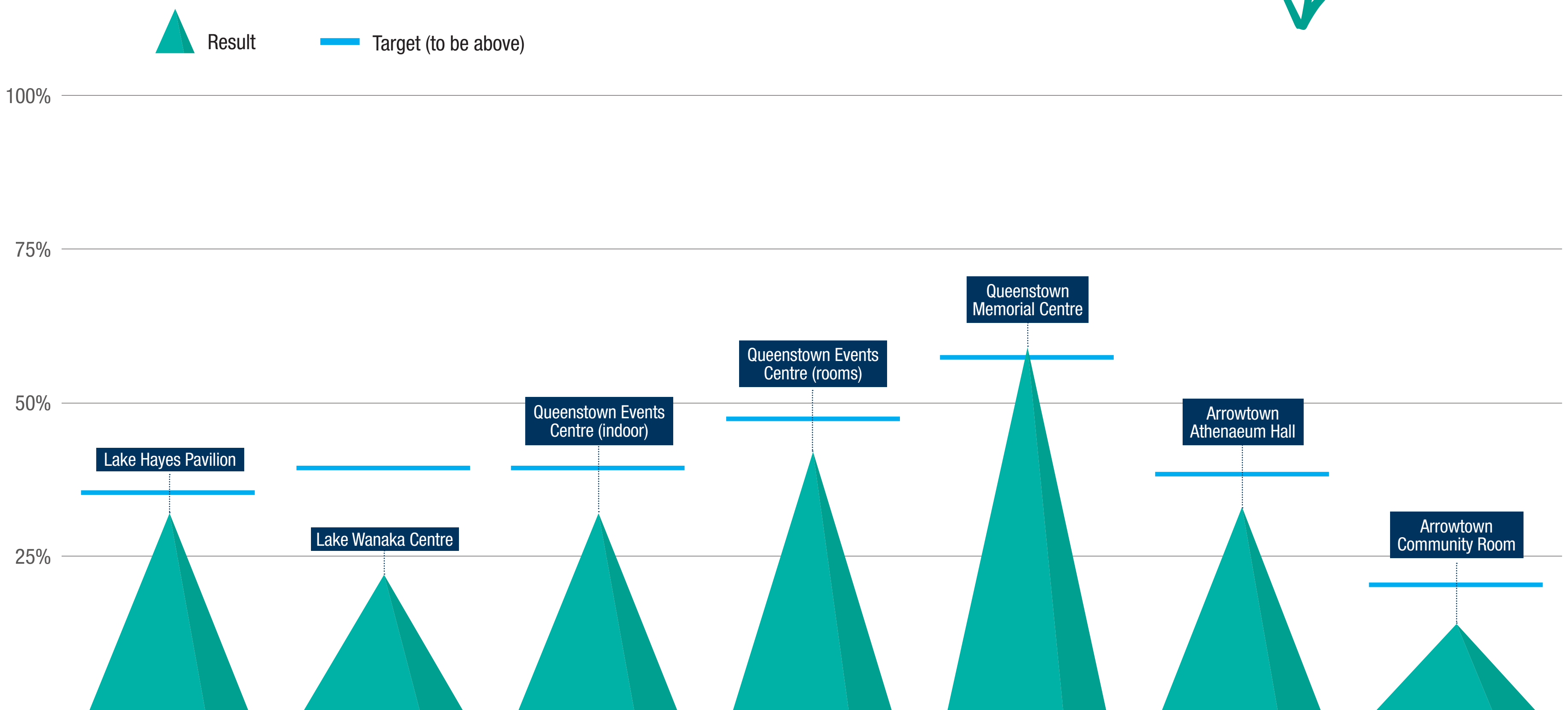
| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 25,570 | >34,464 | There have been 25,570 active sport and recreation participants per capita year to date. This did not achieve the target set. Aggregate levels show a significant decrease during this year due to the closing of sports facilities, social distancing measures during COVID-19 lockdown and further COVID-19 restrictions. |
| 2018-19 | 34,464 | >30,637 | |

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

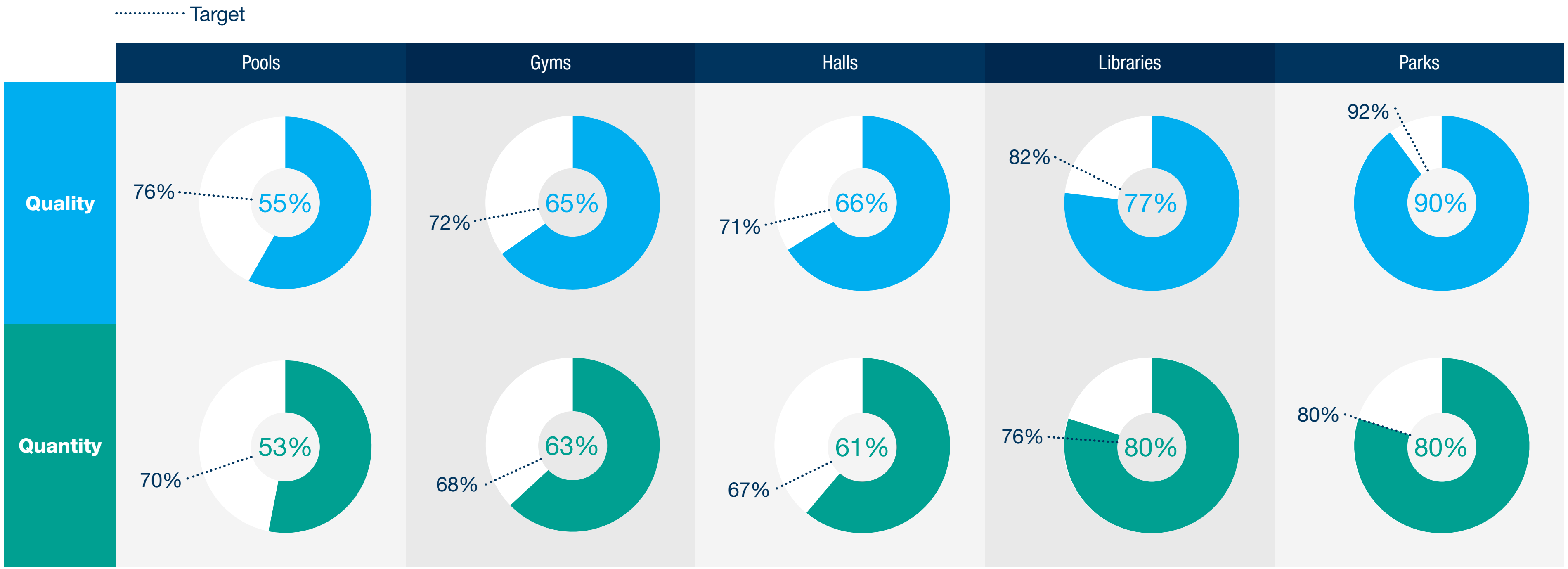
| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 80.6% | >75% | 80.6% of Parks RFS were resolved on time in 2019-20. This achieved the target set. |
| 2018-19 | 69.2% | >70% | |

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

| Year | Facility | Result | Target | Commentary |
|---|---|---|---|---|
| 2019-20 | Lake Hayes Pavilion | 32.1% | >35% | All facilities failed to meet their occupancy targets this year, with the exception of the Queenstown Memorial Centre. This was due to it being a Community Based Assessment Centre (CBAC) during the COVID-19 emergency response. All other venues experienced lower occupancy due to COVID-19 and the reduced demand for events. |
| | Lake Wānaka Centre | 21.6% | >39% | |
| | Queenstown Events Centre (indoor) | 32.3% | >39% | |
| | Queenstown Events Centre (rooms) | 42.3% | >47% | |
| | Queenstown Memorial Centre | 59.2% | >57% | |
| | Arrowtown Athenaeum Hall | 32.8% | >38% | |
| | Arrowtown Community Room | 14.2% | >20% | |



*KPI: Percentage of ratepayers who are satisfied with Community Services; pools, gyms, community halls, libraries and parks, as measured by a satisfaction vs. need for improvement index.*




55% of residents and ratepayers are satisfied with the quality of pools in the district and 53% of residents and ratepayers are satisfied with the quantity of pools, as measured by the Quality of Life Survey in September 2019. The closure of the pool at the former Wakatipu High School site and the temporary closure of Alpine Aqualand for repairs resulted in a reduced quantity of pools in the district for a period of time. National Industry benchmarks indicate that Queenstown Lakes is more than sufficient in water space for the size of the population. Further focused qualitative work is required in 2020/21 to pinpoint the perceived quality dissatisfaction.

65% of residents and ratepayers are satisfied with the quality of gyms in the district, and 63% are satisfied with the quantity of gyms in the district. An upgrade to QLDC's gym facilities is planned for 2020/21.

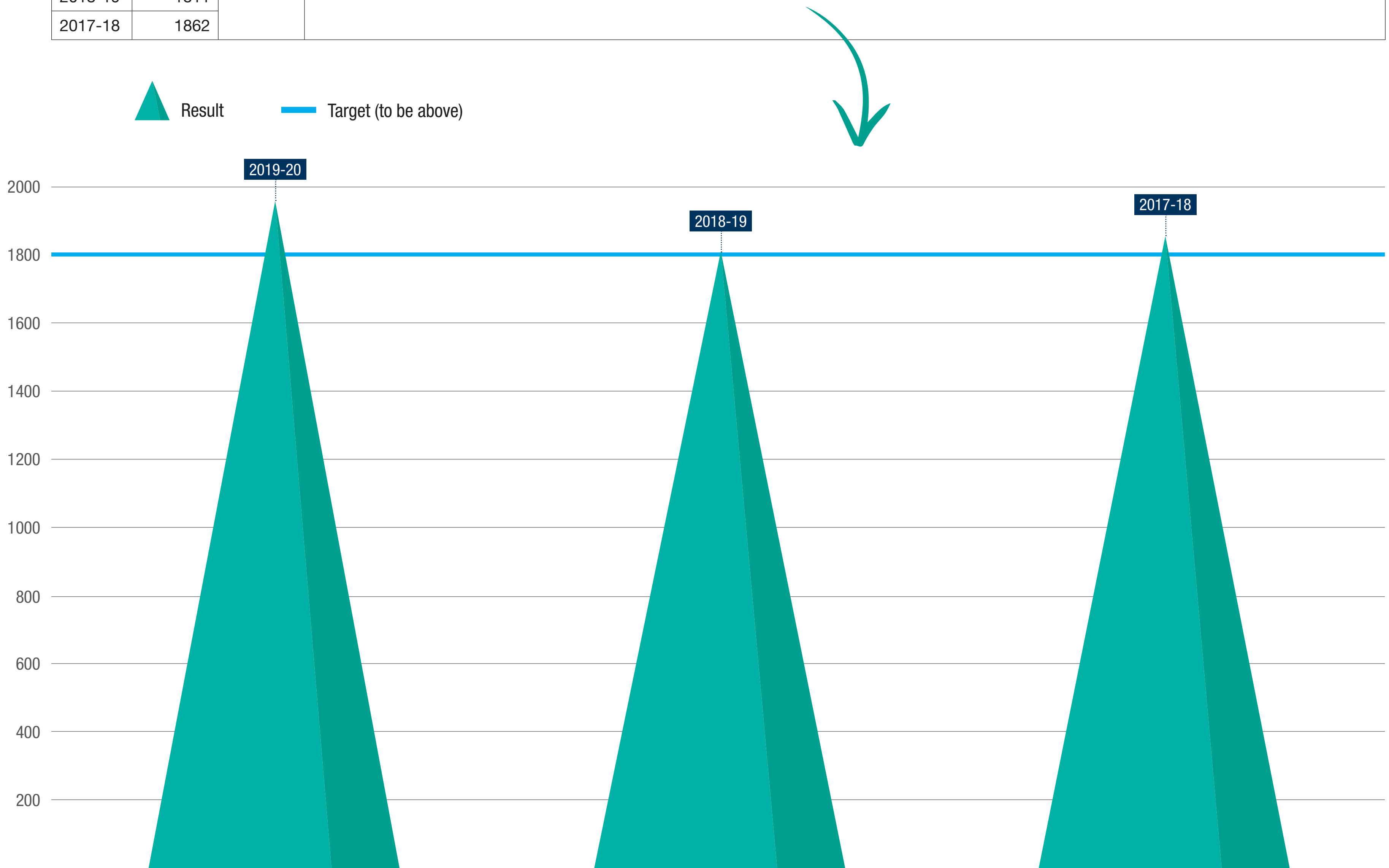
66% of residents and ratepayers are satisfied with the quality of halls in the district, and 61% are satisfied with the quantity of halls in the district.

77% of residents and ratepayers are satisfied with the quality of libraries in the district, and 80% are satisfied with the quantity of libraries in the district, as measured by the Quality of Life Survey in September 2019. The 2019 achieved amount of 80% is greater than the 2018 KPI of 76%. This is very likely due to the opening of Frankton Library on 15 December 2018 which addressed a need for community use of libraries in the Frankton area.

90% of residents and ratepayers are satisfied with the quality of parks in the district, and 80% are satisfied with the quantity of parks in the district, as measured by the Quality of Life Survey in September 2019. The breakdown of this result shows that only 4% of respondents rated the quality as dissatisfied, very dissatisfied or selected 'Don't know'.

*KPI: Average daily users of trails*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 1957 | >1800 | Overall analysis shows the 2019-20 year experienced similar seasonal trends to 2018-19 and, generally, track usage has increased monthly across the board. |
| 2018-19 | 1811 | | |
| 2017-18 | 1862 | | |



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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 72% | >80% | Aggregate analysis shows an upwards trend over the year and improvement on this measure from last year with four months recording 100% attendance at meetings. This however did not meet the target set overall for the year. Collating the information for this measure has improved compared to last year due to a change in approach. |
| 2018-19 | 48% | | |

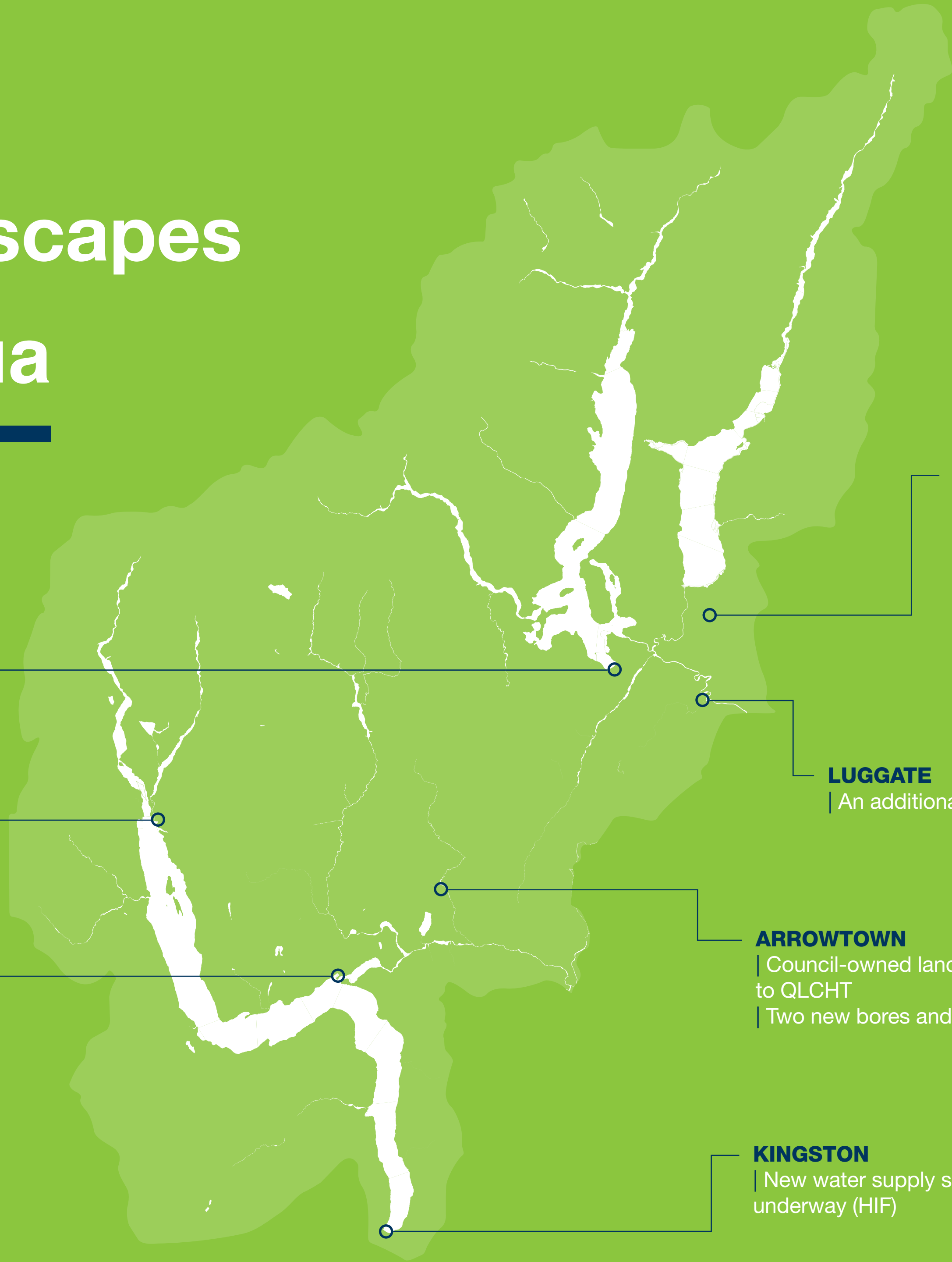
*KPI: Percentage of total community grants to operating cost, excluding salaries and wages.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 0.83% | 1.65% Target is to maintain/ improve | The amount of grants paid was in line with the approved budget for the 2019-20 year. |
| 2018-19 | 0.77% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 33% | >80% | In the Quality of Life survey, 33% of respondents agreed with the statement that Council provides enough support for community groups. This is a decrease of 1% from 2018. This did not achieve the target set to be above 80%. |
| 2018-19 | 34% | | |

# Enduring landscapes
# Toitū te whenua



**WĀNAKA**
| Wastewater treatment plant in Cardrona in delivery stage
| Design of new pump station on Beacon Pt Road complete
| Completed Town Centre Masterplan and Integrated Transport Programme Business Case

**GLENORCHY**
| New toilet installed at Glenorchy skate park

**WAKATIPU**
| Arthur's Point water supply bore headworks upgrade in progress
| Construction of deep stormwater main in Frankton
| Completed Network Operating Framework for Southern Corridor
| Completed Frankton Masterplan / Integrated Transport Programme Business Case
| Construction of the Tucker Beach Road intersection with SH6
| Wakatipu Active Travel Network Single Stage Business Case completed

**HĀWEA**
| Plans to convey Hawea's wastewater to Project Pure underway

**LUGGATE**
| An additional bore in Luggate connected

**ARROWTOWN**
| Council-owned land at Jopp St transferred to QLCHT
| Two new bores and existing bore upgraded

**KINGSTON**
| New water supply scheme in Kingston underway (HIF)

# Environmental management

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

World class landscapes are protected

# About environmental management

## WHAT WE DELIVER

QLDC delivers initiatives across a broad range of functions and activities that interface with our environment. Every division works to ensure the preservation of our environment and to minimise the impact we have on it.

### District Plan

The District Plan explains how QLDC will manage the environment, in accordance with the requirements of the Resource Management Act (1991). It sets out what activities you can do as of right, what activities you need resource consent for, and how certain activities may be carried out. It also sets out a strategic direction for the district in terms of where and how development should occur.

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

### Resources Consents

A Resource Consent is a written approval from the Council to undertake an activity that is not permitted as of right in the District Plan (a permitted activity).

The process for granting a Resource Consent is governed by the Resource Management Act 1991 and the District Plan. The types of Resource Consent issued by QLDC include:

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

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

### Spatial Plan

The Spatial Plan is the first ever joint Spatial Plan involving central government, iwi and regional government and was established in 2018. The Spatial Plan will establish an integrated, long term, collaborative strategy that improves community wellbeing, protects the environment and maintains a positive visitor experience. The Spatial Plan will guide new approaches and central government support to help address the challenges in the Queenstown Lakes. These challenges include affordable housing, limited public transport, reliance on singular economic activities such as tourism and construction, and growth pressures on urban development.

The Spatial Plan is a collaborative exercise to produce an evidence-based, future-focussed (30-year plus) strategy that outlines an agreed vision and direction for an area, considering social, cultural, environmental and economic dimensions.

The Queenstown Lakes Spatial Plan will present information visually and sets out:

- areas to protect and enhance, such as locations with high natural values and culturally important sites;
- areas subject to constraints to urban development, such as locations at high risk from natural hazards, including climate change;
- the existing and future structure of urban areas, such as where people may live, work and how they get around;
- existing and future infrastructure needs and services;
- priority areas for investment and action; and
- other strategically significant priorities.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

- There have been three additional SHAs approved, resulting in a 10 - 12.5% land contribution to the Queenstown Lakes Community Housing Trust (QLCHT). With the expiration of the legislation that enables SHA's, QLDC is looking to instigate a plan change to replace this mechanism for securing affordable housing.
- The Council received Ministerial approval to change the designation of Council owned land in Jopp Street, Arrowtown so that it can be transferred to the Queenstown Lakes Community Housing Trust (QLCHT) for long term perpetually affordable homes to be built.
- Decisions of Council on Stage one of the Proposed District Plan (PDP) received 101 appeals to the Environment Court which contain approximately 1170 separate appeal points (decision requests). 524 section 274 party appeals were made joining the initial appeals. A substantial number of Stage one appeal topics have been progressed with hearings now completed on the key topics of Resilient Economy and Rural Landscape and Environment. More than 50 Environment Court mediations have been held for the appeal points. At this point 1028 points have been resolved (either as a result of an agreed consent order following mediation, decisions of the court, withdrawals or for procedural reasons) with only 142 live appeal points remaining meaning that 88% of the Stage one appeal points are now resolved.
- 83 appeals have been made against decisions on Stage two of the PDP comprising approximately 930 separate appeal point. Mediations for eight topics have been completed to date which has resulted in the resolution of a large number of appeal points. However hearings are being scheduled for the remaining unresolved points for Earthworks, Transport, Wakatipu Basin Text, Jacks Point and Glenorchy Aerodrome.
- Next steps include an exchange of evidence and court hearings for Jacks Point, Glenorchy Aerodrome and Transport. A number of Stage one re-zoning appeals will come off hold with the release of Council's decisions on Stage three in early 2021. Upcoming mediations in September, October and November include Visitor Accommodation, Open Space and Wakatipu Basin rezoning.

***The following key milestones for the Spatial Plan occurred over the last year:***

- Community consultation took place in November 2019 on the spatial plan scenarios leading to a preferred option of "connected settlements".
- Central government signed off the urban growth partnerships cabinet paper, which are being progressed as part of the Government's Urban Growth Agenda (UGA).
- Central government has endorsed the strategic priorities in our Spatial Plan for community consultation when finalised.
- Next steps include finalising the Terms of Reference for the enduring Partnership, and finalising the Spatial Plan ready for consultation, adoption and implementation.
- Implementation will also include the preparation of the next Spatial Plan, which will also be QLDC's Future Development Strategy (FDS) (as per the requirements in the newly issued National Policy Statement on Urban Development [NPSUD]). This will be finalised in time for the 2024 LTP. This FDS/Spatial Plan must be jointly prepared with the ORC to meet the new NPSUD requirements.

# Case study – Grow Well/Whaiora – Queenstown Lakes Spatial Plan Community Engagement

In November 2019 QLDC led a community conversation about growth and how our district can 'grow well' for the next 30 years and for generations to come. The following engagement was undertaken:

> A district-wide community workshop roadshow ran from 4-27 November 2019, co-hosted with local resident associations.

> Focus Area Stakeholder workshops held in the Wakatipu and Upper Clutha on 19 and 20 November 2019.

> Online survey and Q&A available from 7 November - 8 December 2019.

We designed interactive workshop exercises and provided a range of materials to support community understanding of long-term growth in the district. The exercises encouraged group conversations about future opportunities and challenges as our district grows and how we can plan to ensure the best possible outcomes for the wellbeing of our people, economy and environment.

Exercise one "Postcards from the Future" was a visioning exercise focused on getting a greater understanding of the future aspirations of the local community. Participants were encouraged to contemplate "what is important to them in the future" choosing from a range of conceptual images.

Groups of up to eight participants were asked to choose one postcard each and to note the reason for their choice. They were allowed to interpret the images however they liked and if none of the images resonated, they could draw their own picture. The group then agreed key themes that arose from chosen imagery and shared these findings with the wider group.

"Grow Well Scenarios for the Future" was the second exercise. This was a scenario testing exercise looking at three growth concepts; Main Centres, Connected Settlements and Dispersed/Expansive. It allowed the group to share ideas, prioritise and compare outcomes in the Upper Clutha and Wakatipu areas.

These conversations were an opportunity to provide meaningful input prior to a draft Spatial Plan being developed. We heard a lot of differing views as we travelled throughout the district, but overall the people who call the Queenstown Lakes their home have common aspirations for how they would like it to look over the next 30 years and beyond. All of the feedback will be used to help develop a draft Spatial Plan for the district.

This is the first Spatial Plan that Queenstown Lakes District Council will complete, in partnership with Central Government, Otago Regional Council and Kāi Tahu.

## HOW MUCH IT COST

Breakdown of service cost

| Environmental Management | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | - | - | - |
| Targeted rates | 4,653 | 5,719 | 3,530 |
| Subsidies & grants for operating expenditure | 100 | 100 | 105 |
| Fees & charges | 8,679 | 8,071 | 7,269 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | 100 | 106 | - |
| **Total sources of operating funding** | **13,532** | **13,996** | **10,904** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 13,882 | 12,483 | 12,401 |
| Finance costs | 288 | 311 | 146 |
| Internal charges applied | 2,361 | 2,202 | 2,985 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **16,531** | **14,996** | **15,532** |
| **Surplus/(deficit) of operating funding** | **(2,999)** | **(1,000)** | **(4,628)** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase/(decrease) in debt | 1,449 | (551) | 563 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **1,449** | **(551)** | **563** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | - | - | - |
| - to replace existing assets | - | - | - |
| - to improve the level of service | - | - | - |
| Increase/(decrease) in reserves | (1,550) | (1,551) | (4,065) |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **(1,550)** | **(1,551)** | **(4,065)** |
| **Surplus/(deficit) of capital funding** | **2,999** | **1,000** | **4,628** |
| **Funding balance** | **-** | **-** | **-** |

| **Significant cost of services variances** | **Significant capital expenditure** | **Significant capital expenditure variances** |
|---|---|---|
| Reduced consenting income including less than budgeted applications received offset with reduction in staff costs due to vacancies | Not applicable | Not applicable |

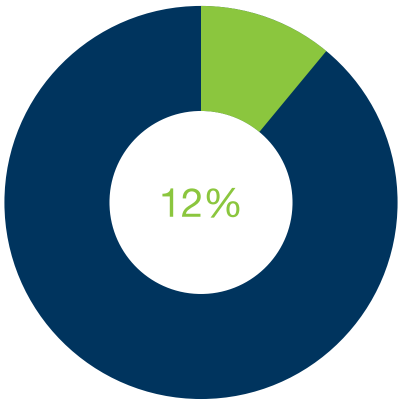
**Summary of internal borrowings**

| Activity | 30 June 2020 Internal loan balance $000 | Total funds repaid in the year $000 | Total funds borrowed during the year $000 | Interest paid in the year $000 |
|---|---|---|---|---|
| Environmental Management | 1,934 | 470 | 640 | 53 |

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Environment expenditure of $15,532,000



# How we performed

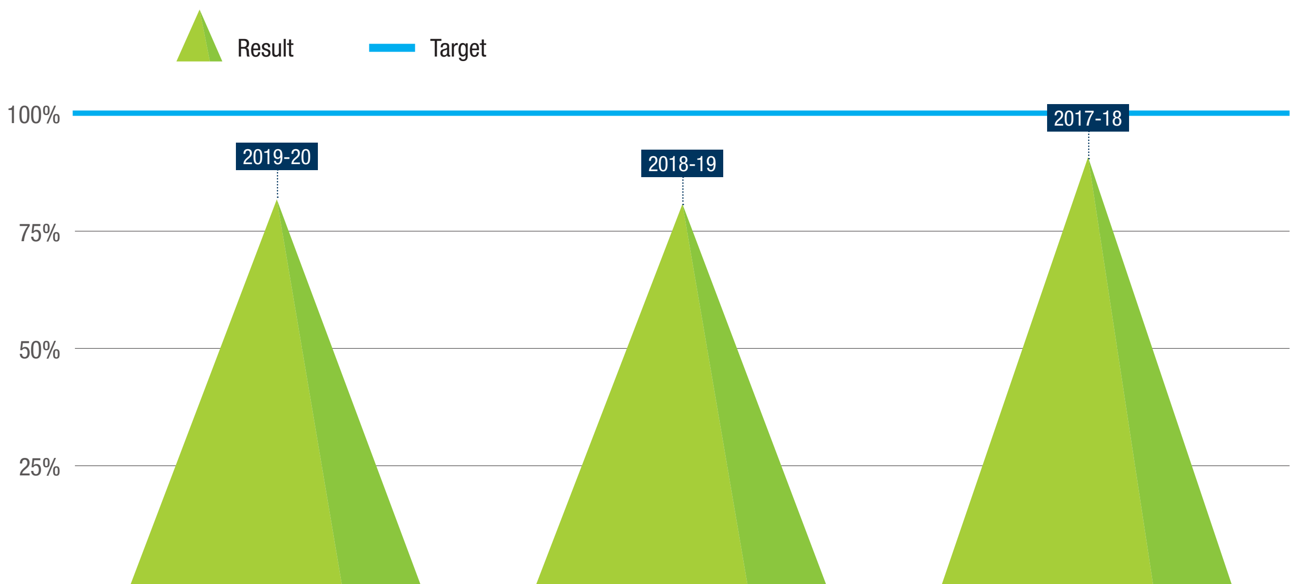
## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 24% | >50% | 24% of residents were either satisfied (21%) or very satisfied (3%) with Council's measures in protecting the environment. This result is lower than 2018 where 30% of residents demonstrated an overall satisfied rating. |
| 2018-19 | 30% | >45% | |

*KPI: Percentage of resource consents processed within statutory timeframes*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 82% | 100% | The Resource Consents team has achieved 82% compliance this year. 1,235 applications were received in 2019/20. |
| 2018-19 | 81% | | |
| 2017-18 | 91% | | |



# Infrastructure

Efficient and effective infrastructure

Environmental sustainability and low impact living is highly valued

# What we deliver

We will deliver this outcome through the following activities:

1. Water Supply
2. Stormwater
3. Wastewater

Collectively known as 3 Waters

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

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 66% | >80% | There has been a $40.2m spend against a year to date budget of $61.2m. A significant number of budgets were deferred in the November 2019, March 2020 and May 2020 reforecasts which were adjusted for in December, April and June. Timing changes affected a broad range of projects, including transport projects awaiting NZTA approval, joint venture agreement for Project Manawa and Project Connect, various stages of HIF (Housing Infrastructure Fund), Lakeview developer agreements, land agreement and consenting process for 3 waters projects and bundled approach to 3 waters delivery. Minor delays to construction activities also occurred. |
| 2018-19 | 52% | | |

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

| Year | Result | | Target | Commentary |
|---|---|---|---|---|
| 2019-20 | 3 Waters | 94% | >95% | **3 Waters**<br>94% of 3 Waters RFS were resolved on time in 2019-20. There were 2,453 RFS received in total for 3 Waters, of which 149 went overdue. This is an improvement on the previous year and nearly achieved the target set.<br>**Solid Waste**<br>76% of 3 Solid Waste RFS were resolved on time in 2019-20. In total 5,444 Solid Waste RFS were received, of which 1302 went overdue. There has been a dramatic increase in RFS numbers this year as a result of the changes to the service which has put pressure on both the contractor and the internal team. The contractor's performance has improved over the course of the year.<br>**Roading**<br>83% of RFS were resolved on time in 2019-20. It should be noted that this result does not reflect a full reporting year, with four months of contractor data unable to be reported on. This is due to an error in the contractor's RAMM system where each time the dispatch was updated by the contractor in RAMM, the expected completion date field was zeroed. A work-around was created for April - June 2020, however the December - March 2020 data was unable to be recovered. |
| | Solid Waste | 76% | | |
| | Roading | 83% | | |
| 2018-19 | 3 Waters | 90% | | |
| | Solid Waste | 83% | | |
| | Roading | 78% | | |
| 2017-18 | 3 Waters | 86% | | |
| | Solid Waste | 82% | | |
| | Roading | 82% | | |

# Water supply

# About water supply

## WHAT WE DELIVER

QLDC is responsible for approximately 576km of water mains and 12 treatment plants serving approximately 26,668 demand units that collectively use a total of approximately 32,306 cubic metres of water per day. The 3 Waters Strategy was adopted by the Council in June 2018. This strategy recognised that the key to the management of its infrastructure is balancing the affordability of maintaining the existing networks and creating additional capacity with a reduction in risk, aging networks, a demand for growth, and an improved level of service. Key strategic priorities are also addressed in the recently adopted 2018-48 30 year Infrastructure Strategy.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

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

As part of the statutory planning cycle QLDC is currently in the planning and prioritisation phase of the 2021-31 Ten Year Plan.

Following the announcement of the new Water Regulator (Taumata Arowai), and with significant reforms proposed around how water is managed across New Zealand, the Council's focus remains on maintaining and improving the quality of our water infrastructure. QLDC is committed to ensuring that all of the Council owned water supplies are compliant with the New Zealand Drinking Water Standards through the delivery of the capital programme outlined in the current long term plan.

**Arrowtown**

The Arrowtown water supply has benefited from the construction of two new bores and improvement works at the existing bore. These upgrades increase the quantity of water available, and ensure a long term supply of high quality drinking water for the community.

The proposed new reservoir in Arrowtown was assessed to not be economically viable following completion of the conceptual design phase, and subsequently this project has been deferred. New investigations will be undertaken in 2021 to identify alternative sites.

**Queenstown**

The second Quail Rise reservoir, located in Frankton, is in the final stages of detailed design and construction is planned to be complete by the end of 2021. This reservoir will be fed from the expanded Shotover Country bore field via a new water pipe along the Shotover bridge. The bridge crossing is currently under construction with completion anticipated in late November 2020. The new Shotover Country Bore field and WTP is currently going through the consenting phase.

**Wanaka**

In Wanaka a second reservoir at Beacon Point is scheduled to start construction by the end of 2020. Further improvement to Wanaka's water network will be progressed through trunk main upgrades proposed for completion in in 2021.

**Arthurs Point**

Upgrade to the Arthur's Point water supply bore headworks are in progress, this work will convert the existing to above ground installations consistent with best practise. Bringing the headworks above ground helps to ensure the safety of the source water.

**Luggate**

An additional bore in Luggate's existing bore field near the township was connected at the end of 2019. Further upgrades to the water supply network are planned, with investigational drilling to locate a future water source scheduled for November 2020.

**Glenorchy**

The new Glenorchy reservoirs are in the final stages of design and following the receipt of the necessary consents will go out to market. Construction is expected to be completed during 2021.
In conjunction with this water treatment improvements are planned for 21/22.

**Kingston**

A new water supply scheme in Kingston is underway as part of the Kingston HIF project. It is currently in the developed design phase with construction due to start in 2020.

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

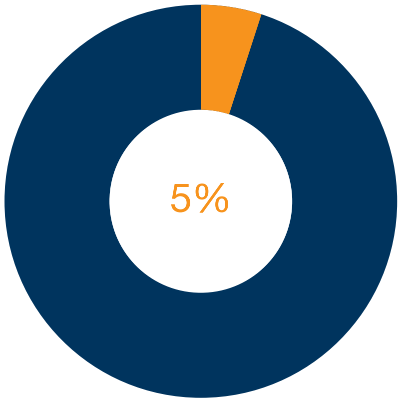
## HOW MUCH IT COST

Breakdown of service cost

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Water Supply expenditure of $6,931,000




| Water Supply | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | 8 | 13 | 4 |
| Targeted rates | 8,694 | 9,305 | 9,528 |
| Subsidies & grants for operating expenditure | - | - | - |
| Fees & charges | 45 | 47 | 64 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | - | - | 81 |
| **Total sources of operating funding** | **8,747** | **9,365** | **9,677** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 4,413 | 4,756 | 5,438 |
| Finance costs | 1,619 | 2,392 | 732 |
| Internal charges applied | 737 | 710 | 761 |
| Other operating funding applications | - | - | |
| **Total applications of operating funding** | **6,769** | **7,858** | **6,931** |
| **Surplus/(deficit) of operating funding** | **1,978** | **1,507** | **2,746** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | 3,141 | 4,017 | 3,922 |
| Increase/(decrease) in debt | 15,656 | 23,698 | 4,367 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **18,797** | **27,715** | **8,289** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 10,249 | 17,172 | 4,556 |
| - to replace existing assets | 3,462 | 4,798 | 1,436 |
| - to improve the level of service | 8,478 | 8,492 | 4,793 |
| Increase/(decrease) in reserves | (1,414) | (1,240) | 250 |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **20,775** | **29,222** | **11,035** |
| **Surplus/(deficit) of capital funding** | **(1,978)** | **(1,507)** | **(2,746)** |
| **Funding balance** | **-** | **-** | **-** |

| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| Lower finance costs due to timing of capital spend. | $1.9m for Arrowtown new WPS & bores and $1.3m for Shotover Country Rising Main (bridge) | Kingston water supply new scheme $5.5m budget and spend $0.6m and Beacon Point new Reservoir budget $4.7m and spend $0.7m |

**Summary of internal borrowings**

| Activity | 30 June 2020 Internal loan balance $000 | Total funds repaid in the year $000 | Total funds borrowed during the year $000 | Interest paid in the year $000 |
|---|---|---|---|---|
| Water Supply | 9,836 | 533 | 1,875 | 249 |

# Case study – Arrowtown Water Supply Upgrade

Work on a $2.8million upgrade of Arrowtown's water supply commenced on 15 July 2019. The supply has benefited from the construction of two new bores, and improvement works at the existing bore. These upgrades increase the quantity of water available, and ensure a long term supply of high quality drinking water for the community. The two new bores were drilled in the Bush Creek reserve near Buckingham Street in December 2018, and one was temporarily connected to the network to ensure sufficient supply for the 2018/19 summer demand. The physical works for this project were completed in March 2020.

A main driver for this project was to keep the new infrastructure in keeping with the reserve which has been achieved by designing the bore enclosures and the new MSB building to match existing buildings found in the area. The project required the closure of the footbridge to the Macetown and Saw Pit Gully walking tracks, but temporary bridges were installed to allow continued access.

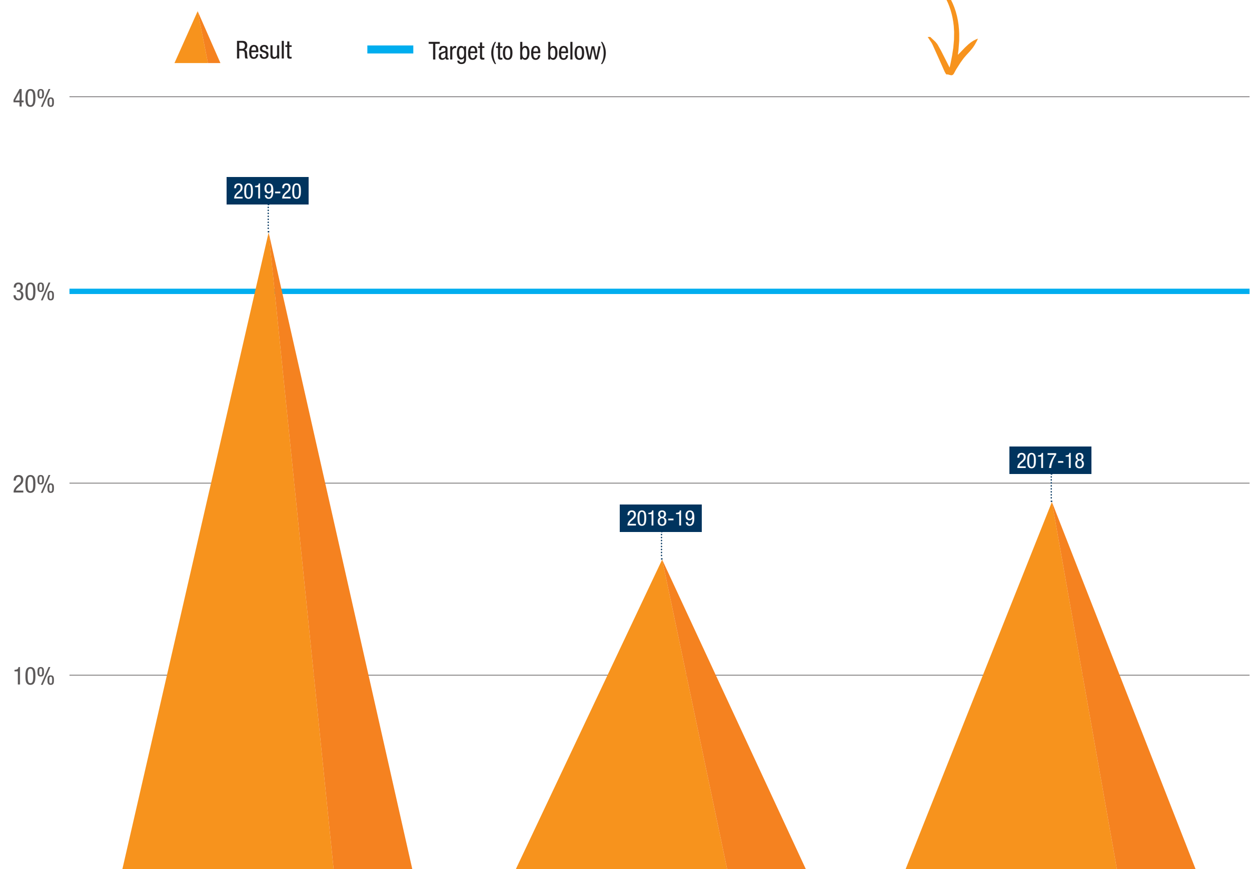
# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 33% | <30% | Estimated water loss has increased in comparison to 2019, and exceeds the target set. The annual night flow survey has highlighted a small number of network areas which have seen significant increases, and these areas will be targeted for planned leak-detection work. |
| 2018-19 | 15% | | |
| 2017-18 | 19% | | |



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

| Year | | Result | Target | Commentary |
|---|---|---|---|---|
| 2019-20 | a) bacteriological compliance | 93% | >80% | QLDC monitors for compliance within our treatment plants and distribution systems. Treatment plants include the water sources (lakes, aquifers) and the treatment plants to remove any pathogens from these sources. Distribution systems include the reservoirs and pipes that store and move the water around the network once treated. Due to the timing of the compliance reports which are received in October each year, results are reported one year behind.<br><br>Of the 28 treatment plants and distribution systems, 26 were compliant with the bacterial requirements of the Drinking Water Standards New Zealand (DWSNZ). The Arthurs Point and Wānaka Airport plants did not meet the requirements due to sample scheduling discrepancies.<br><br>Of the 14 treatment plants, two were compliant with the protozoal requirements of the Drinking Water Standards New Zealand (DWSNZ). The results remain the same as the previous year.<br>The non-compliant treatment plants were: |
| | b) protozoal compliance | 14% | >20% | > Two Mile– capital investment is required to comply<br>> Kelvin Heights – high turbidity events lead to periods of non-compliance<br>> Arrowtown – high turbidity events lead to periods of non-compliance<br>> Arthurs Point- high turbidity events lead to periods of non-compliance<br>> Corbridge Downs - capital investment is required to comply<br>> Glenorchy - capital investment is required for additional treatment barriers<br>> Glendhu – high turbidity events lead to periods of non-compliance<br>> Hāwea– high turbidity events lead to periods of non-compliance<br>> Luggate- capital investment is required for additional treatment barriers<br>> Wānaka Airport - capital investment required to comply<br>> Wānaka Western– long term plan is to decommission this intake<br>> Wānaka Beacon - capital investment is required for additional treatment barriers.<br><br>Transmittance refers to the amount of UV light passing through the water at the water treatment plant. Turbidity is the measure of the suspended particles in a sample that cause loss of clarity by scattering light. If the water is more turbid, the UV transmittance would be less because the suspended particles would stop some of the UV light getting through the water and this affects the treatment effectiveness. This is the same level of compliance as previous years. Capital investment in treatment upgrades or turbidity control is required at most sites to meet the protozoal requirements of the DWSNZ. These upgrades are budgeted across the timeframe of the QLDC Ten Year Plan, 2018-28. |

*KPI: Median response time to attend to urgent and non-urgent issues resulting from municipal water reticulation network faults and unplanned interruptions:*

*a) between the time of notification and the time when service personnel reach the site.*

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

| Category | | 2018-19 Result | 2019-20 Result | Target | Commentary |
|---|---|---|---|---|---|
| a) between the time of notification and the time when service personnel reach the site | Urgent | 22 mins | 26 mins | <60 mins | The median response time to attend to site for urgent issues was 26 minutes for 2019-20. There were 73 urgent issues lodged for 2019-20. The median response time to attend to site for non- urgent issues was 1101 minutes for 2019- 20. There were 910 non-urgent issues lodged for 2019-20. This achieved the target set. The median response time for resolution for urgent issues was 407 minutes for 2019-20. This is well within the target set. The median response time for resolution for non-urgent issues was 3,185 minutes for 2019-20. This is well within the target set. |
| | Non-urgent | 963.5 mins | 1101 mins | <1440 mins | |
| b) between the time of notification and resolution of the blockage or other fault | Urgent | 355 mins | 407 mins | <1440 mins | |
| | Non-urgent | 2882 mins | 3185 mins | <10080 mins | |

*KPI: Number of complaints per 1,000 connections to a public water reticulation network about:*

*a) the clarity of drinking water.*

*b) the taste of drinking water.*

*c) the odour of drinking water*

*d) the pressure or flow of drinking water.*

*e) the continuity of supply of drinking water.*

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

| Category | 2018 -19 Result | 2019 -20 Result | Target | Commentary |
|---|---|---|---|---|
| a) clarity | 0.04 | 0 | <4 | All categories met the annual target. This is an improvement on the previous year's results. |
| b) taste | 0.04 | 0 | | |
| c) odour | 0.04 | 0.04 | | |
| d) pressure/flow | 5.6 | 2.06 | | |
| e) continuity of supply | 3.7 | 2.22 | | |
| f) response to issues | 0.04 | 0 | <2 | |

*KPI: Average consumption of water per day per resident.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 515L | <500 litres per person per day | 515 litres of water was consumed on average per person per day for the 2019-20 year. This did not achieve the 'sinking lid' annual target to be below 500 litres/person/day. Currently the Council has limited mechanisms beyond education to drive water efficiency and this may limit the ability to achieve reductions in the short term. |
| 2018-19 | 510L | <530L/person/day | |
| 2017-18 | 577L | <590L/person/day | |

# Wastewater

# About wastewater

## WHAT WE DELIVER

QLDC is responsible for approximately 473km of wastewater mains, 65 pump stations and four treatment plants serving approximately 26,134 demand units that between them discharge a total of approximately 14,000 cubic metres of wastewater per day. This includes the larger plants, namely Project Pure (wastewater treatment and disposal to land at Wanaka) and Project Shotover (wastewater treatment and disposal to land).

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

The application for the Wastewater Network Discharge Consent was declined by the Otago Regional Council. Despite this, QLDC remains committed to working towards the criteria on which the consent application was based. This includes a network-wide risk assessment of our pump stations to help prioritise where investment will improve the networks reliance, a review of our overflow response protocols to ensure environmental and public health consequences are minimised, and a community and business educational programme to encourage responsible use of the network.

The wastewater projects which are in delivery include two new wastewater treatment plants for the communities of Cardrona and Kingston. The Cardrona wastewater treatment plant is a developer-led project which is scheduled to be commissioned in late 2021. For Kingston, like the water scheme, the wastewater treatment plant and network is underway as part of the Kingston Housing Infrastructure Fund and is currently in the developed design phase with construction due to start in 2021.

The objective to centralise our wastewater treatment plants in our areas of the district is progressing with the Luggate wastewater flows now being conveyed to the Project Pure facility for treatment. The plans to also convey Hawea's wastewater to Project Pure are underway and are being considered through the business case approach.

Three significant wastewater pump station upgrades and conveyance projects are also in delivery. A new pump station in the Queenstown Recreational (Rec) Ground is in construction with completion planned for March 2021. At Kelvin Heights the upgrades to the Willow Place pump station are underway and once complete will utilise the rising main along Hawthorne Drive which was installed in 2019. In Wanaka the design of a new pump station on Beacon Point Road is complete, with construction intended to commence in late 2020. This pump station will divert substantial wastewater flows from the critical pump stations on the lake front, and provide additional capacity to accommodate the development underway in North Wanaka.

# Case study – Shotover Bridge Wastewater Pipes

Work to install new wastewater and water supply pipes across the Shotover Bridge began in February 2020. The $3m project provides for current and future wastewater and water supply capacity as growth in the area continues.

The work has involved replacing around 320m of wastewater pipes and installing new water supply pipes along the downstream side of the Shotover Bridge. These were then connected to existing pipes in the ground at either end that were installed earlier as part of the recently completed underpass project.

To minimise disruption, most of the work has been completed from the riverbed. Where this is not possible, the work has been undertaken at night, reducing the bridge to a single lane. Work is on schedule and expected to be complete in December 2020.

## HOW MUCH IT COST

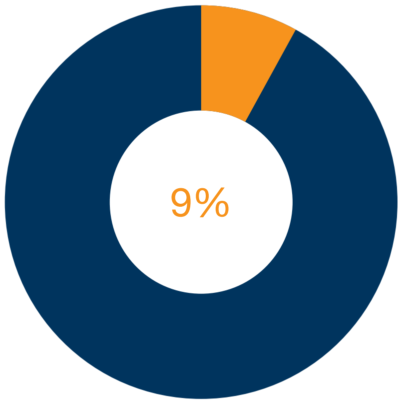
Breakdown of service cost

| Wastewater | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | 247 | 238 | 238 |
| Targeted rates | 12,056 | 12,735 | 13,072 |
| Subsidies & grants for operating expenditure | - | - | - |
| Fees & charges | 249 | 252 | 114 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | - | - | 18 |
| **Total sources of operating funding** | **12,552** | **13,225** | **13,442** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 6,530 | 6,877 | 9,030 |
| Finance costs | 2,794 | 3,217 | 1,337 |
| Internal charges applied | 1,260 | 1,214 | 1,128 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **10,584** | **11,308** | **11,495** |
| **Surplus/(deficit) of operating funding** | **1,968** | **1,917** | **1,947** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | 3,961 | 7,083 | 6,406 |
| Increase/(decrease) in debt | 10,199 | 11,764 | 5,074 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **14,160** | **18,847** | **11,480** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 7,100 | 10,006 | 4,180 |
| - to replace existing assets | 1,470 | 1,079 | 2,763 |
| - to improve the level of service | 8,115 | 10,644 | 4,972 |
| Increase/(decrease) in reserves | (557) | (965) | 1,512 |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **16,128** | **20,764** | **13,427** |
| **Surplus/(deficit) of capital funding** | **(1,968)** | **(1,917)** | **(1,947)** |
| **Funding balance** | **-** | **-** | **-** |

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Wastewater expenditure of $11,495,000




| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| $1.1m wastewater network consent costs. | $3.9m spend on Recreation Ground new WW Pump Station, $1.3m spend on Kingston HIF Wastewater new scheme | Cardrona new wastewater scheme had a budget of $2.6m and spend of $0.6m. HIF Kingston Wastewater New Scheme had a budget of $6.1m and spend of $1.3m |

**Summary of internal borrowings**

| Activity | 30 June 2020 Internal loan balance $000 | Total funds repaid in the year $000 | Total funds borrowed during the year $000 | Interest paid in the year $000 |
|---|---|---|---|---|
| Wastewater | 17,701 | 733 | 2,269 | 468 |

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

KPI: *Median response time to attend to sewerage overflows resulting from blockages or other faults of a municipal sewerage system*

*a) between the time of notification and the time when service personnel reach the site.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 17.5 mins | <60 mins | The median response time to attend site for wastewater overflows was 17.5 minutes for 2019-20 and achieved the target set. |
| 2018-19 | 17 mins | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 121 mins | <240 mins | The median response time to resolve the wastewater overflows was 121 minutes for 2019-20 and achieved the target set. There were 46 wastewater overflows recorded. |
| 2018-19 | 151.5 mins | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 1.66 | <3 | There were 1.66 dry weather overflows per 1,000 sewerage connections for the 2019-20 period. This achieved the target set. |
| 2018-19 | 3.2 | | |

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

| Year | Result | Target | Commentary |
|---|---:|---:|---|
| 2019-20 | 87% | 100% | QLDC broadly complied with resource consents this year but had two incidents that did not.<br>An infringement notice was received for an unauthorised discharge (ie. no consent) of wastewater into Lake Wakatipu near Park Street as a result of a wastewater overflow from the reticulated network.<br>An abatement notice was received for the Cardrona wastewater treatment plant due to breach of resource consent conditions. An interim upgrade to this plant is underway to resolve the non-compliances, and flows are expected to be directed to a new wastewater treatment plant in 2021. |
| 2018-19 | 94% | | |

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

*a) odour.*

*b) faults.*

*c) blockages.*

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

| | 2018-19 Result | 2019-20 Result | Target | Commentary |
|---:|---:|---:|---:|---|
| a) odour | 0.04 | 0.04 | <5 | All categories met the annual target. This is an improvement on the previous year. |
| b) faults | 5.54 | 3.16 | | |
| c) blockages | 2.55 | 2.25 | | |
| d) response to issues | 0 | 0 | <2 | |

# Stormwater

# About stormwater

## WHAT WE DELIVER

QLDC is responsible for approximately 275km of stormwater mains, with an average age of 21.6 years, and a number of interceptors (basic stormwater separators) serving around 26,718 demand units. The system caters for an average ten year flood event.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

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

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

Further to the stormwater models updated last year there has been two more developed within the district, there are now models for Queenstown Central, Frankton, Wanaka (North and South Wanaka) and Kingston. An updated model for Fernhill has also been started. These models have allowed for the catchment management plans for these areas to be developed which has identified issues in terms of water quantity and prioritise those issues from a risk perspective. Load contaminant models for Queenstown, Frankton and Wanaka (North and South) are also in development, which will feed into the catchment management plans and identify the issues in terms of water quality. From this and subsequent business cases mitigation projects have been included in the 2021-31 Ten Year Plan

Construction of a deep stormwater main to convey existing and future stormwater loads from the Frankton Flats area to the Frankton foreshore was completed in 2019. This significant upgrade to the stormwater network caters for increased SW flows as a result of development in Frankton.

From the Frankton CMP, three high priority projects were identified requiring investment to address flooding issues, these projects are currently in the detailed design phase. Similarly in Wanaka, three critical projects were identified and are currently in the concept design phase.

## HOW MUCH IT COST

Breakdown of service cost

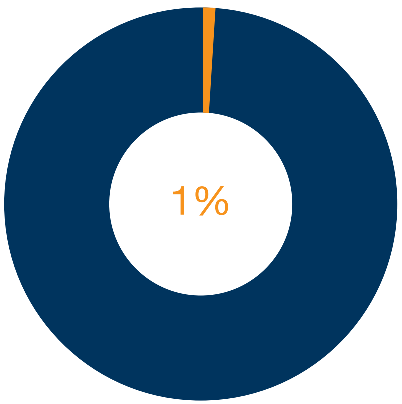
| Stormwater | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---:|---:|---:|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | - | - | - |
| Targeted rates | 1,992 | 2,280 | 2,770 |
| Subsidies & grants for operating expenditure | - | - | - |
| Fees & charges | - | - | - |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | 278 | 232 | 162 |
| **Total sources of operating funding** | **2,270** | **2,512** | **2,932** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 718 | 785 | 1,339 |
| Finance costs | 699 | 894 | 313 |
| Internal charges applied | 78 | 75 | 171 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **1,495** | **1,754** | **1,823** |
| **Surplus/(deficit) of operating funding** | **775** | **758** | **1,109** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | 2,161 | 1,346 | 673 |
| Increase/(decrease) in debt | 10,114 | 767 | 1,618 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **12,275** | **2,113** | **2,291** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 11,829 | 2,367 | 2,710 |
| - to replace existing assets | 539 | 548 | 302 |
| - to improve the level of service | 1,383 | 691 | 1,013 |
| Increase/(decrease) in reserves | (701) | (735) | (625) |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **13,050** | **2,871** | **3,400** |
| **Surplus/(deficit) of capital funding** | **(775)** | **(758)** | **(1,109)** |
| **Funding balance** | **-** | **-** | **-** |

| **Significant cost of services variances** | **Significant capital expenditure** | **Significant capital expenditure variances** |
|---|---|---|
| Not applicable | $1.9m for North East Frankton Stormwater conveyance. | Ladies Mile HIF budget $1.4m and spend of $0.02m. North East Frankton Stormwater conveyance budget $0 and spend $1.9m due to budget deferral from 18/19. |

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Stormwater expenditure of $1,823,000




| **Summary of internal borrowings** | | | | |
|---|---:|---:|---:|---:|
| **Activity** | **30 June 2020 Internal loan balance $000** | **Total funds repaid in the year $000** | **Total funds borrowed during the year $000** | **Interest paid in the year $000** |
| Stormwater | 4,161 | 500 | 989 | 110 |

# Case study – Wānaka Wetland Area

A proposed new stormwater catchment solution and wetland area in Wānaka is currently in concept design phase and optioneering is underway.

Stormwater and sediment levels entering Bullock Creek have long been a concern for many Wānaka locals including the Friends of Bullock Creek, and Otago Fish and Game. At a meeting between QLDC and Otago Fish & Game, the concept was proposed of taking wider catchment stormwater and surplus storm event water from the Alpha Ridge development to the lake via a proposed wetland in the Stone Street area.

The concept will aim to deliver clear water into the lake whilst continuing to retain sediment and protect pre-development flows into Bullock Creek. Acknowledgement of the issue had been an important first step in working towards a solution and Otago Fish and Game remains an active stakeholder.

QLDC will be progressing the project throughout 2020 and bringing together key stakeholders. Further details will be provided to advise the community and interested parties of the project design and final location.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | a) 0 | <7 | There were no stormwater flooding events this year and as such, no flooding events to habitable floors recorded. |
| | b) 0 | <2 | |
| 2018-19 | a) 0 | | |
| | b) 0 | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 100% | 100% | The district meets the benchmark set, demonstrating good monitoring and enforcement practice. |
| 2018-19 | 100% | | |

*KPI: Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in a municipal stormwater system.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 0 hours | <3 hours | There were no flooding events to habitable floors this year. |
| 2018-19 | 0 hours | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 5.13 | <5 per 1,000 properties | There were 5.13 complaints per 1000 properties for 2019-20. This just exceeds the target set. Preventative clearing of road side sumps continues to be a focus to improve performance in this area, along with an increased presence in the education and regulation of sediment control from building sites which are a key contributor to sump blockages. |
| 2018-19 | 10.65 | | |

# Transport, roading, parking and footpaths

# About transport, roading, parking and footpaths

## WHAT WE DELIVER

QLDC is accountable for just over 871km of local roading and public carparks across the district. This includes maintaining street lights and signage. In addition, there are 232km of state highways within the district and these are managed by New Zealand Transport Agency. QLDC's transport activities are funded from a combination of local and central government funding sources.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

Even in a year that includes COVID-19, there remains pressure on our transport networks. Highways, local roads, commuter tracks and suburban streets are becoming more congested, with several obvious pinch points in and around Frankton, as well as in central Queenstown. Significant steps have been taken this year to improve traffic flow and congestion, working towards a frustration-free district that can be enjoyed by residents and visitors alike. We are also acknowledging that as well as infrastructure changes – behavioural change is going to play a major role in the improvement of transport networks.

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

- Completed a Network Operating Framework for the Southern Corridor (south of Frankton) which enables integrated forward planning of land use and infrastructure.
- Progressed stage one of the Wakatipu Active Travel Network into the design phases, working with NZTA.
- Supported projects on Wanaka Lakefront and SH 84 (underpass) to ensure active travel elements are included in design and construction phases.
- Initiated Detailed Business Case investigations for Park and Ride across the Wakatipu Basin and a replacement crossing at Arthurs Point.
- Completed the Frankton Masterplan / Integrated Transport Programme Business Case.
- Completed inputs to the Queenstown Lakes Spatial Plan (Transport Chapter).
- Ballantyne Road (Wanaka) resealing project has advanced to the detailed design stage.
- Successfully bid for shovel ready projects (CIP) enabling transport projects to proceed early – Queenstown Town Centre Arterial –Stage 1, Town Centre Street Upgrades.
- Successfully requested to have the Queenstown Town Centre Arterial Designation included in Fast Track legislation.
- Currently reconfiguring the Way To Go partnership to include Delivery, as well as strategic planning.

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

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

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

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

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

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

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

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

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

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

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

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

> Council adopted the 2019 Speed Bylaw which saw changes to speed in a number of locations across the district. The lowering of certain speed limits plays an important role in improving the safety of our roads for all users such as school children, pedestrians, cyclists, horse riders, heavy vehicles, commuters and visitors.

## HOW MUCH IT COST

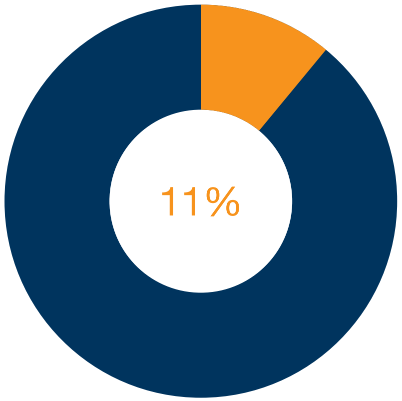
Breakdown of service cost

| Transport, including roading, parking and footpaths | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | - | - | - |
| Targeted rates | 11,635 | 12,664 | 11,792 |
| Subsidies & grants for operating expenditure | 4,290 | 4,739 | 5,685 |
| Fees & charges | 3,297 | 3,286 | 2,710 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | 129 | 136 | 629 |
| **Total sources of operating funding** | **19,351** | **20,825** | **20,816** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 9,380 | 9,724 | 12,375 |
| Finance costs | 1,309 | 2,300 | 261 |
| Internal charges applied | 1,571 | 1,514 | 1,490 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **12,260** | **13,538** | **14,126** |
| **Surplus/(deficit) of operating funding** | **7,091** | **7,287** | **6,690** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | 12,785 | 32,399 | 5,738 |
| Development and financial contributions | 5,270 | 5,270 | 5,511 |
| Increase/(decrease) in debt | 11,492 | 28,780 | (3,031) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **29,548** | **66,449** | **8,218** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 9,381 | 25,126 | 3,057 |
| - to replace existing assets | 12,999 | 16,146 | 6,588 |
| - to improve the level of service | 13,942 | 32,169 | 3,892 |
| Increase/(decrease) in reserves | 317 | 295 | 1,371 |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **36,639** | **73,736** | **14,908** |
| **Surplus/(deficit) of capital funding** | **(7,091)** | **(7,287)** | **(6,690)** |
| **Funding balance** | **-** | **-** | **-** |

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Transport expenditure of $14,126,000




| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| Unfavourable roading emergency reinstatement costs for December and February flooding events, partially offset with additional income in grants and subsidies. | $1.4m was spent on Queenstown Town Centre Pedestrianisation, $1.3m on Wakatipu sealed road resurfacing. | Wakatipu Active Travel Network budget $7.8m and spend $0.2m, Queenstown Town Centre Arterial $19.0m budget and spend $0.5m both awaiting NZTA approval. |

**Summary of internal borrowings**

| Activity | 30 June 2020 Internal loan balance $000 | Total funds repaid in the year $000 | Total funds borrowed during the year $000 | Interest paid in the year $000 |
|---|---|---|---|---|
| Transport, including roading, parking and footpaths | 2,141 | 1,569 | 651 | 91 |

# Case study – Driver Workshops

Queenstown Lakes District Council (QLDC) knows the importance of drivers feeling comfortable on our roads. This is why two free, QLDC-sponsored workshops were held for local residents at the end of 2019; one focusing on motorcycle training and the other focusing on senior road users.

At the end of November 2019 a workshop was held to help senior road users brush up on their road rules and feel confident behind the wheel. Staying Safe is a classroom-based refresher workshop that aims to maintain and improve safe driving practices, as well as increase knowledge of transport options available to help senior road users remain mobile.

Riding a motorcycle requires a high level of awareness and skill. This is especially true when navigating the Queenstown Lakes District's roads, which can be a challenge for even the most experienced and capable riders. To help local riders feel they have the confidence and skills to deal with any situation on the road, QLDC provided free motorcycle training for all Queenstown Lakes District residents. Courses were held in September 2019 in Cromwell. Training was provided in conjunction with ACC's Ride Forever initiative.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

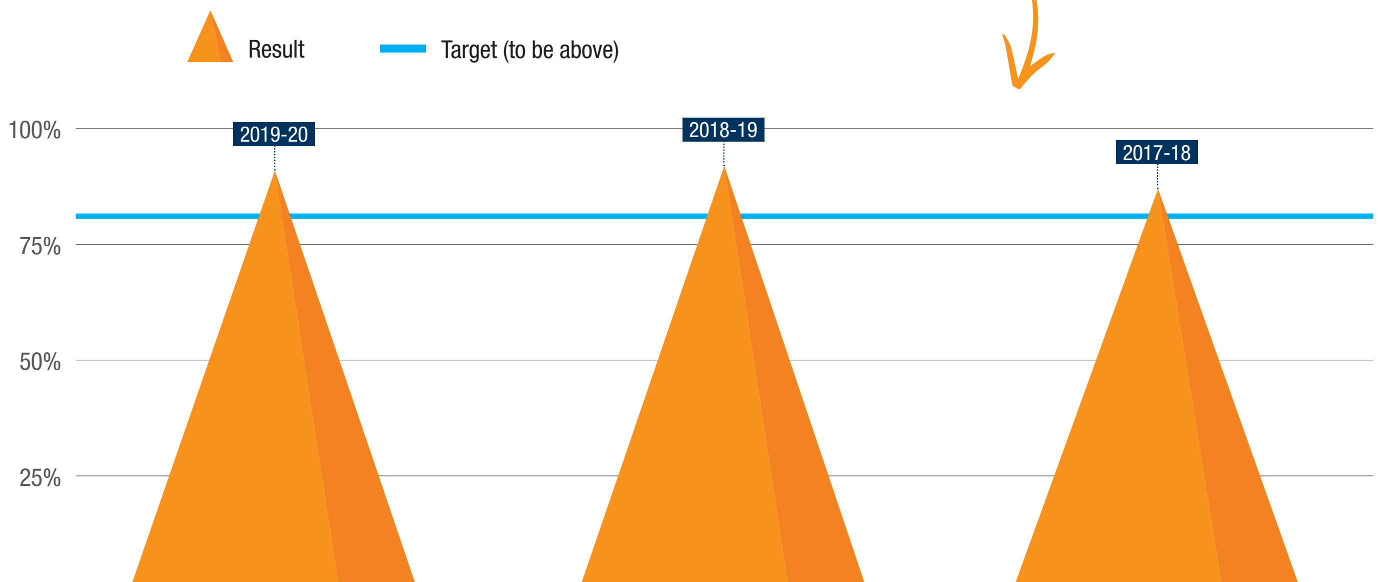
DIA MEASURES The Department of Internal Affairs (DIA) outlines a range of benchmarking measures for inclusion in the Annual Report. The following four measures relate to our performance for transport:

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 11 | <20 (the total number reported in 2018-19) | There was one fatality and 10 serious injury crashes on local roads in 2019-20. The number of serious injuries has reduced from 2018-19. |
| 2018-19 | 20 | <16 (the total number reported in 2017-18) | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 93% | >80% | The district is significantly above the benchmark set by the DIA. This has been consistent for the last three years, demonstrating the high quality of the local road network. |
| 2018-19 | 94% | | |
| 2017-18 | 94% | | |



*DIA KPI: Percentage of sealed network that is resurfaced annually*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 5.40% | <10% | The district is within the benchmark set by the DIA, demonstrating an effective, controlled and well-managed resurfacing programme. |
| 2018-19 | 5.15% | | |
| 2017-18 | 9.25% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 95.77% | >95% | The footpath condition surveys for the 2019-20 year were not undertaken due to the COVID-19 lockdown. The calculation includes the condition rating for 2018-19 with the addition of any new vested asset. QLDC still remain above the target value footpaths. The 2018-19 result remains consistent with a slight increase due to vested assets. |
| 2018-19 | 96.4% | | |

*KPI: Improved traffic flows on arterial routes.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 2.8 mins | Maintain/improve | The annual average travel time over all three chosen locations is 2.8 minutes. Three of our main arterial routes were monitored over a 24 hour period every quarter to record traffic flow times. Analysis of the years data highlights that there was a decrease in Quarter 3 across all three main arterial routes but the other quarters remained consistent in travel time. This is an improvement on the previous year and meets the target to maintain/improve on the previous years result. |
| 2018-19 | 3.1 mins | | |

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

| Year | Result | | Target | Commentary |
|---|---|---|---|---|
| 2019-20 | Cost | 57% | >45% | As stated in the Quality of Life Survey 2019, respondents mostly agreed that the bus service in the district was affordable, with 57% indicating they either agreed (29%) or strongly agreed (28%). This met the target to be above 40%, however was a decrease in 2% compared to the previous year.<br>Reliability (25%), Accessible (38%) and Accessible for my needs (31%) results did not meet the target and have all decreased compared to the previous year. |
| | Reliability | 25% | | |
| | Accessible | 38% | | |
| | Accessible for my needs | 31% | | |

*KPI: Increased use of alternative modes of transport.*

| | | 2018-19 | 2019-20 - Work | 2019-20 – Spare time | Target | Commentary |
|---|---|---|---|---|---|---|
| Bus | Daily | 4% | 2% | 1% | Improve on the previous year | This KPI has been split out into work and spare time in the September 2019 Quality of Life Survey. E-bike or scooter has been added as a new mode of transport.<br><br>Walking was the most used alternative method for both work and spare time. Seventy seven percent of respondents indicated they used walking as an alternative measure during their spare time either daily (36%), weekly (34%), or monthly (7%), while 35% indicated that they opted for walking to work daily (18%), weekly (13%), or monthly (4%). |
| | Weekly | 9% | 6% | 7% | | |
| | Monthly | 10% | 4% | 8% | | |
| | Infrequently | 29% | 16% | 25% | | |
| | Never | 48% | 72% | 59% | | |
| Walk | Daily | 30% | 18% | 36% | | |
| | Weekly | 28% | 13% | 34% | | |
| | Monthly | 10% | 4% | 7% | | |
| | Infrequently | 19% | 11% | 11% | | |
| | Never | 13% | 54% | 13% | | |
| Bike | Daily | 8% | 5% | 7% | | |
| | Weekly | 20% | 10% | 25% | | |
| | Monthly | 12% | 4% | 12% | | |
| | Infrequently | 24% | 16% | 18% | | |
| | Never | 36% | 65% | 38% | | |
| Water taxi | Daily | 0% | 1% | 1% | | |
| | Weekly | 1% | 1% | 1% | | |
| | Monthly | 2% | 1% | 1% | | |
| | Infrequently | 15% | 6% | 13% | | |
| | Never | 82% | 91% | 84% | | |
| E-bike or scooter | Daily | | 1% | 2% | | |
| | Weekly | | 3% | 5% | | |
| | Monthly | | 1% | 2% | | |
| | Infrequently | | 3% | 5% | | |
| | Never | | 92% | 86% | | |

# Waste management

# About waste management

## WHAT WE DELIVER

Waste is managed in three sub activities: Waste Reduction - reducing waste at source, Resource Recovery - diverting waste from landfill and Waste Disposal - collecting, transporting and disposing of waste. Work continues with implementation of the actions in the Waste Minimisation and Management Plan (WMMP) 2018. The WMMP identifies our vision, goals, objectives, targets and methods for achieving effective and efficient waste management and minimisation.

Services include kerbside bin collections, recycling and greenwaste drop off facilities, public place litter and recycling bins, waste transfer stations in Frankton and Wanaka, monitoring and maintenance of closed landfills, waste minimisation community outreach initiatives and removal of illegal dumping.

The landfill facility at Victoria Flats is operated privately by Scope Resources and receives waste from commercial customers and Council transfer stations.

A recycling and reuse shop is operated by Wastebusters in Wanaka and provides business and event recycling, drop-off recycling, a reuse shop, education for sustainability, advocacy and support of waste minimisation in the community and across NZ.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

A three bin rubbish, recycling and glass only service was rolled out in July 2019. The new bin system includes a 240l bin for mixed recycling, 140l bin for glass only and 140l bin for rubbish. The new district-wide contract is a collaboration between Waste Management New Zealand and Wastebusters. Significant focus was placed on campaigns to 'recycle right' and minimise contamination in the recycling bins.

In light of the Covid restrictions we were quick to establish an online booking system and contact tracing for the transfer stations to allow disposal of rubbish. Unfortunately during the Covid lockdown we were unable to process mixed recyclables from the kerbside collection service. This was due to the risk to staff at the material recycling facility with hand sorting the material.

A three-yearly waste assessment for the district was undertaken to monitor changes in the waste stream and inform the planning of new initiatives.

With increased demand on our ageing facilities we completed a review to identify long-term options for greater resource recovery and waste reduction. The planning includes options for the diversion of organic material from landfill including food waste, organics and biosolids.

A new contestable fund was launched with five initiatives awarded funding. Funding was received for the following waste minimisation initiatives; Sustainable Queenstown; Dishrupt. Plastic Free Wanaka; Waste Free Wanda ONE New Zealand; Cup reuse scheme. Waste Free with Kate; Presentations at secondary schools. Local Food Wanaka; Autumn Apple Drive.

Significant action was taken to address waste minimisation and management issues which are outside the Council's direct control. This included advocacy and lobbying to Central Government and industry stakeholders to provide legislation, standards and guidelines that move us towards zero waste.

## HOW MUCH IT COST

Breakdown of service cost

| Waste Management | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | - | - | - |
| Targeted rates | 3,255 | 3,534 | 5,877 |
| Subsidies & grants for operating expenditure | 118 | 122 | 164 |
| Fees & charges | 7,797 | 8,268 | 6,445 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | 195 | 195 | 262 |
| **Total sources of operating funding** | **11,365** | **12,119** | **12,748** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 9,459 | 10,066 | 11,309 |
| Finance costs | 123 | 265 | 44 |
| Internal charges applied | 1,621 | 1,562 | 1,453 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **11,203** | **11,893** | **12,806** |
| **Surplus/(deficit) of operating funding** | **162** | **226** | **(58)** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase/(decrease) in debt | 1,149 | 4,522 | 145 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **1,149** | **4,522** | **145** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 620 | 1,801 | 383 |
| - to replace existing assets | 481 | 1,355 | 389 |
| - to improve the level of service | 1,270 | 2,656 | 410 |
| Increase/(decrease) in reserves | (1,060) | (1,064) | (1,095) |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **1,311** | **4,748** | **87** |
| **Surplus/(deficit) of capital funding** | **(162)** | **(226)** | **58** |
| **Funding balance** | **-** | **-** | **-** |

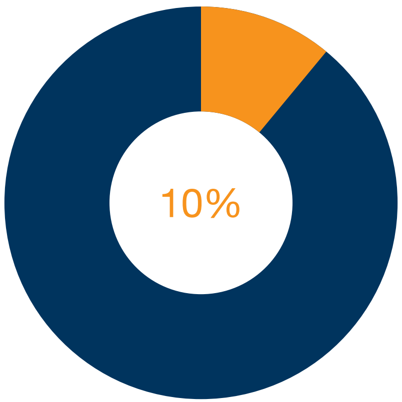
| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| $2.5m reduction in refuse collection revenue offset within target rates as this is now rated for. $0.7m additional landfill levy income offset with additional waste services contract management $0.9m | Not applicable | Transfer station upgrades Wakatipu budget $2.5m spend $0.1m project deferred to 2021/22 |

| Summary of internal borrowings | | | | |
|---|---|---|---|---|
| **Activity** | **30 June 2020 Internal loan balance $000** | **Total funds repaid in the year $000** | **Total funds borrowed during the year $000** | **Interest paid in the year $000** |
| Waste Management | 558 | 322 | 366 | 15 |

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Waste Management expenditure of $12,806,000



# Case study – Waste Management

The Queenstown Lakes District's collective journey towards zero waste took a great step forward with a new district-wide residential waste and recycling collection service commenced on 1 July 2019.

The new contract is delivered by Waste Management New Zealand Ltd, who have partnered with local community enterprise Wastebusters to deliver a vastly improved service to the community.

Around 54,000 bins have been delivered district-wide, new trucks built and delivered, collection staff recruited and trained, a new brand established, education material produced, and an online collection reminder website set up. The new service provides homes with a small red-lidded rubbish bin, a small blue-lidded glass-only bin, and a large yellow-lidded mixed recycling bin.

Under the new system these bins all go to different places. Rubbish goes to landfill, glass goes to the O-I factory in Auckland to be made into new bottles and jars, and mixed recycling is taken to the big Materials Recovery Facility (MRF) in Queenstown to be sorted, baled and sold to the commodities market. Queenstown Lakes is the first district in Aotearoa New Zealand to implement a glass wheelie bin system with the intended outcome of bottle-to-bottle recycling via reprocessing at the O-I factory. Glass recycling is extremely sensitive to contamination, so we have to ensure that the standard of our district's glass is of a high quality.

A key focus of the service going forward will be continued education. This is part of a step change in the way this district manages its waste. It requires a commitment from everyone to ensure the quality of our recycling is very high and can be properly recycled. The community has been encouraged to take responsibility for the waste they produce. Whether that's making choices about the types of products purchased, or ensuring clean recycling goes into the right bins, it all helps.

It is important the community keeps up its momentum and continues in its effort to help Queenstown Lakes become a zero waste district.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

*KPI: Total waste diverted from landfill*

| Year | Result | Target | Commentary |
|---|---:|---:|---|
| 2019-20 | 7,736t | >8,500t | 7,736 tonnes of waste has been diverted from landfill in the year 2019-20. This does not achieve the target. COVID-19 level 3 and 4 restrictions had a significant impact to overall aggregate figures with the closure of the Materials Recovery Facility. |
| 2018-19 | 5,523t | >5,100t | |

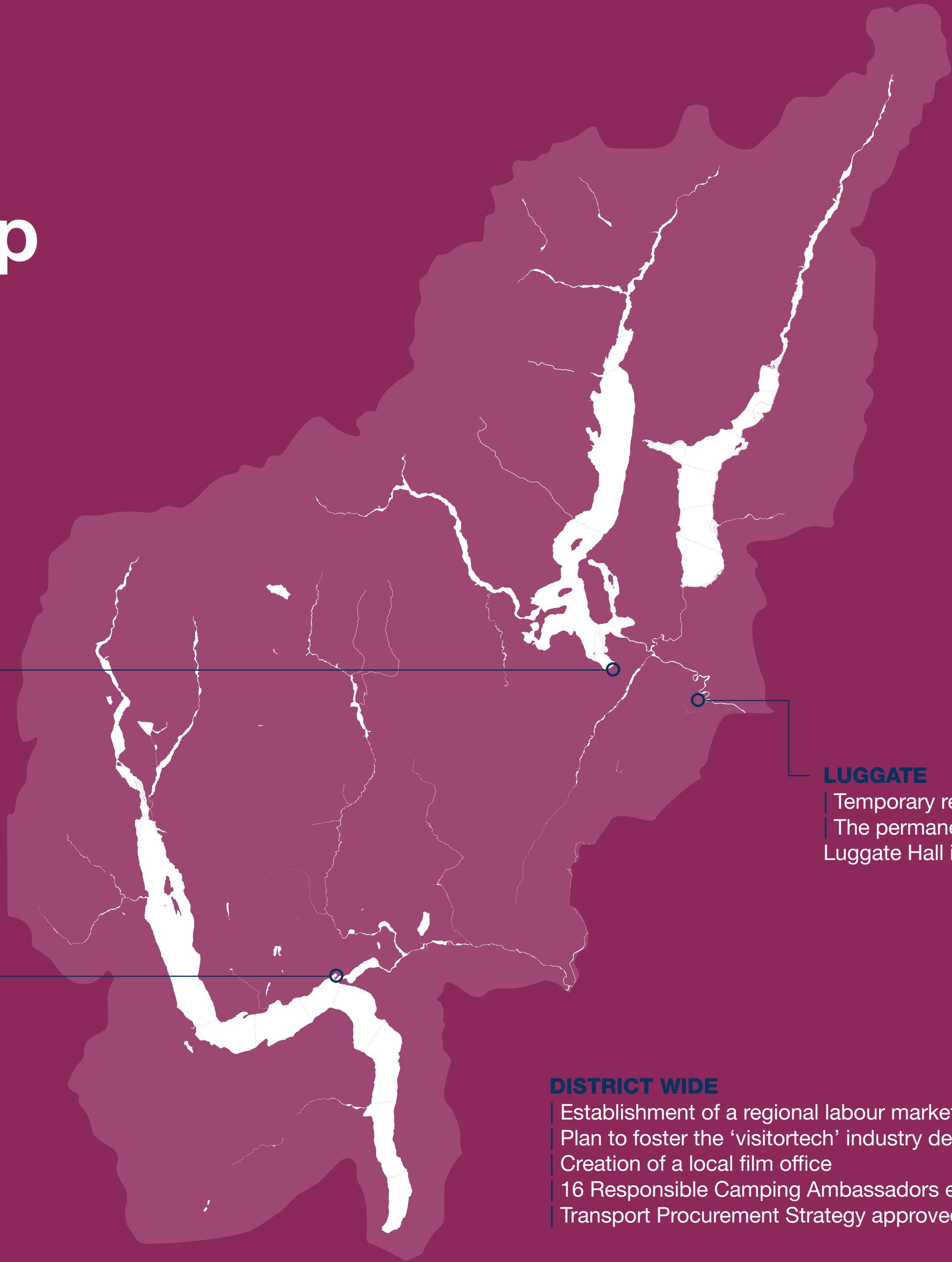
*KPI: Total waste to landfill*

| Year | Result | Target | Commentary |
|---|---:|---:|---|
| 2019-20 | 43,700t | <40,000t | The total waste to landfill in the year 2019-20 is 43,700 tonnes. This did not achieve the target set however after the peak in December there has been a decrease over the second half of the year on a month on month comparison with 2018-19. |
| 2018-19 | 45,072t | | |

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

| Year | Result | Target | Commentary |
|---|---:|---:|---|
| 2019-20 | 0.24 | <0.74 | The number of units purchased for the year increased as the statutory obligation increased. |
| 2018-19 | 0.76 | | |

# Bold leadership
# Te amoraki



**WĀNAKA**

- Responsible Camping service hub set up
- Support development of Lake Wanaka Tourism

**WAKATIPU**

- Purchase of 516 Frankton-Ladies Mile
- Mixed-use precinct plans underway for Lakeview
- Planning work underway for community precinct (Project Manawa)

**LUGGATE**

- Temporary replacement hall opened
- The permanent replacement of Luggate Hall in detailed design phase

**DISTRICT WIDE**

- Establishment of a regional labour market group
- Plan to foster the ‘visitortech’ industry developed
- Creation of a local film office
- 16 Responsible Camping Ambassadors employed
- Transport Procurement Strategy approved by Waka Kotahi NZTA

# Economy

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

# About economy

## WHAT WE DELIVER

### Economic Development

QLDC's aim is to achieve a high quality of life for all residents. Before COVID-19 the district was enjoying strong job growth but affordability of housing, and the pressures of visitors numbers on infrastructure were significant challenges.  Since Covid 19 meant travel to the district has been severely restricted the focus of economic development has switched to help tourism related business to cope, find redeployment options for residents without work, and accelerate the diversification efforts.

***QLDC's Economic Development Strategy has four clear objectives:***

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

### Film and Events Strategy

During the 2019/20 year QLDC explored how best it could support the local film industry and decided to create a film office within Council.  The film office facilitates the relationship between the screen sector, government, community and others impacted or benefited by its activity. Council still supports Film Otago Southland as well. Events have also been severely affected by the COVID-19 situation and Council has been supporting event organisers to navigate the restrictions placed on them by the response levels.

### Tourism Promotion

We actively encourage tourist operations to not only share our natural environment with visitors from around the globe, but also treat it with the respect and care it deserves. We support Destination Queenstown, Lake Wanaka Tourism and the Arrowtown Promotion Board through a mixture of levies and rates. QLDC collects a targeted rate from local businesses on behalf of each of these Regional Tourism Organisations (RTOs), and also contributes 5% of their total funding by way of general rates, so all ratepayers contribute towards the promotion of our district.
The focus of these efforts have moved more towards promotion to domestic visitors since COVID-19 has restricted international travel.
A Destination Management Plan is being developed to create a more holistic approach to how all aspects of tourism are managed.

## Commercial Property

### Ladies Mile

The purchase of 516 Frankton-Ladies Mile was taken with a long-term view for community facilities. This was a strategic investment by Council, so was earmarked for long-term development. The core purpose for the land was to provide for anticipated demand for more sports fields, and recreational and community space, but also contemplated possible supporting uses such as a transport hub, or a park and ride facility, and these options remain.

Whatever its final purpose, it's important that the land can be an integral part of the wider Wakatipu basin and meet a growing community's needs. Therefore, Council is about to start work on a masterplan for the wider Te Pūtahi Ladies Mile area, taking a holistic approach to planning for this growing area of the district.

In the meantime, the open space area is available for local community use and enjoyment, and QLDC has provided a new car parking area. The existing buildings are currently not available for community use due to access constraints to and from the state highway. Once Waka Kotahi NZTA completes construction of the Howards Road roundabout this will provide suitable access for increased traffic to the site and QLDC can actively explore options for utilising the property further.

### Luggate Hall

The permanent replacement of the Luggate Hall has progressed into detailed design phase. The detailed design is due to be completed around September. Sessions with the local community and the Wanaka Community Board have kept them up to date on the progress so far with the hall. Following completion of detailed design, it is anticipated that the procurement process for construction of the hall will take place.

The temporary replacement was opened towards the end of 2019, after the installation and fit-out of the building.

### Frankton Campground

The lease for the Frankton Campground has come to an end. Queenstown Lakes District Council is working through the tender process to secure a new lessee for the campground. Removal of cabins and the clearance of the site is well underway in anticipation of the re-development of the site. The plan for the site is to return it to a camping only destination, this lines up with the Responsible Camping Strategy that Council adopted in 2018.

### Lakeview

A comprehensive programme of QLDC projects and private sector developments, to establish a mixed-use precinct on the circa 10 hectare Lakeview site.  A development agreement has been finalised and plans are underway for a first stage residential apartment development.  QLDC has commenced the infrastructure works required to service the subdivision.

### Project Manawa

Proposal to develop a community precinct on the Stanley Street site including a Central Administration Building, public spaces and, subject to consultation, a performing arts and visual arts centre, permanent Library and commercial buildings. Planning work continues between QLDC and Ngai Tahu Property Limited (under a Partnering Agreement) in developing the Foundation Documents for Council approval.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

- The Otago Regional Economic Development forum has seen economic development managers from across Otago collaborate to measure the impact of Covid 19 on our different communities.  Regional collaboration has also helped with estimation of the upcoming commercial construction labour needs, support for businesses through the Regional Business Partners access to subsidised professional advice, and establishment of a regional labour market group.
- The Economic Development team, in alignment with the Economic Development Strategy, has continued to foster diversification through supporting Study Queenstown which transitioned out of Destination Queenstown, creation of a local film office and ongoing support for Startup Queenstown Lakes. The potential for remote workers to contribute to the economy was researched and a plan to foster the ‘visitortech’ industry (software/tech businesses that supply the hospitality and tourism industry) was developed.

## HOW MUCH IT COST

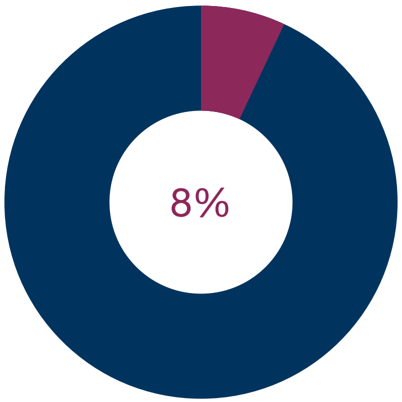
Breakdown of service cost

| Economy | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | 96 | 169 | 449 |
| Targeted rates | 4,900 | 6,114 | 5,521 |
| Subsidies & grants for operating expenditure | 75 | 79 | 15 |
| Fees & charges | 2,919 | 2,453 | 2,705 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | 483 | 483 | 598 |
| **Total sources of operating funding** | **8,473** | **9,298** | **9,288** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 7,194 | 7,603 | 8,995 |
| Finance costs | 561 | 527 | 273 |
| Internal charges applied | 715 | 1,152 | 1,323 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **8,470** | **9,282** | **10,591** |
| **Surplus/(deficit) of operating funding** | **3** | **16** | **(1,303)** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase/(decrease) in debt | 1,917 | (3,254) | 389 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **1,917** | **(3,254)** | **389** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 654 | 429 | 102 |
| - to replace existing assets | 49 | 50 | 40 |
| - to improve the level of service | 2,217 | 2,283 | 937 |
| Increase/(decrease) in reserves | (1,000) | (6,000) | (1,993) |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **1,920** | **(3,238)** | **(914)** |
| **Surplus/(deficit) of capital funding** | **(3)** | **(16)** | **1,303** |
| **Funding balance** | **-** | **-** | **-** |

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Economy expenditure of $10,591,000




| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| Not applicable | Lakeview development spend $1.0m | Lakeview development project budget $1.8m spend $1.0m |

| Summary of internal borrowings | | | | |
|---|---|---|---|---|
| **Activity** | **30 June 2020 Internal loan balance $000** | **Total funds repaid in the year $000** | **Total funds borrowed during the year $000** | **Interest paid in the year $000** |
| Economy | 3,350 | 303 | 420 | 96 |

# Case study – Mahi Queenstown Lakes (MahiQL)

Mahi Queenstown Lakes (MahiQL) is a labour force initiative established by the Economic Development Team in late 2019. It comprises of a working group that includes QLDC, employers, Chambers of Commerce, central government and social agencies with the goal of attracting, retaining and optimising the workforce in Queenstown Lakes.

***MahiQL is driven by the shared vision:***

‘A thriving community in the Queenstown Lakes driven by talented people (from all over NZ and the world) who love living and working here.’

MahiQL asks its members to subscribe to the motto of ‘advocacy through achievement’, ensuring the group is data-led, tests and learns, as well as promotes a culture of active and open participation where everyone’s voice has the opportunity to be heard.

***There are three key workstreams within Mahi QL and each focusses on a set of priority areas:***

- Local Labour Levers – the goal of this team is to formulate and implement a workforce development plan by district and sector, with input from employers and stakeholders. Its priority is to focus on attracting and optimising talent, improve productivity and to look at factors that influence labour availability i.e. housing and transport. The group is interested in how the district is promoted as a great place to live and work, how we approach living wage and how to get New Zealanders into jobs.
- Immigration Policy and Action – the goal of this team is to influence immigration policy decisions and practices to meet our district’s unique needs. Its priority is to understand immigration settings and provide education, identify pathways to stay, advocate for shorter processing timeframes and effective skills shortages lists.
- Community Settlement and Retention – the goal of this team is to support settlement of new arrivals to ensure integration, retention and support from within the community. Its priority is to set up a functioning newcomer settlement network supported by settlement resources. The group is interested in developing inclusive workplaces and ensuring that partners and families are settled.

Since Covid-19, the programme of work has needed to be a little more fluid and reactive in order to meet emergent challenges. All of the partners and stakeholders have been working through an unprecedented situation. It is however important to note that navigating these challenges has been greatly assisted by the relationships that this initiative has helped to forge.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | Not available | >74.3% | There is no result for 2019-20 due to the information no longer being available. |
| 2018-19 | 90.7% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | Not available | <44.7% | There is no result for 2019-20 due to the information no longer being available. |
| 2018-19 | 43.02% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 0.489 | <0.44 | The rental affordability index in Queenstown-Lakes District was 0.489 in the year to June 2020. This KPI investigates the affordability of rents in Queenstown-Lakes District by comparing average weekly rents with average weekly earnings (which are calculated from estimated average annual earnings). The rental affordability index is the ratio of the average weekly rent to average weekly earnings. A higher ratio, therefore, suggests that average rents cost a greater multiple of typical incomes, which indicates lower rental affordability.<br>The latest data, as of June 2020, shows that average weekly rent in the Queenstown-Lakes District is 48.9% of the average income. By comparison, rents nationally are approximately one third of average income (36.2%). |
| 2018-19 | 0.55 | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 20.5 | 21.4 - June 2019 (maintain/ improve) | The housing affordability index in Queenstown-Lakes District was 20.5 in the year to June 2020. This is a slight improvement compared to the last two years. The housing affordability index is the ratio of the average current house value to average annual earnings. A higher ratio, therefore, suggests that average houses cost a greater multiple of typical incomes, which indicates lower housing affordability.<br>The latest data, as of June 2020, shows that the average house price in the Queenstown-Lakes District was worth 20.5 times more than the average income in Queenstown-Lakes. Nationally, the average house price is worth 11.3 times the average income. Data is provided by Infometrics. Please note that housing affordability in the four most recent quarters is based on estimated average annual earnings, while earnings data from earlier years is based on actual figures from Linked Employer Employee Data published by Statistics New Zealand. |
| 2018-19 | 21.4 | <16.4<br><br>(maintain/ improve | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 96.7% | Maintain/ improve | There was a 96.7% return on commercial property in 2019-20. This was due to $1.78m income from Wellsmart Holdings and a $0.25m rent review increase for the campground commercial license fees. |
| 2018-19 | 427.5% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | Not available | >50% | A result is not available for 2019-20 due to the appropriateness of conducting a survey at this time. |

# Regulatory functions and services

A responsive organisation

# About regulatory functions and services

## WHAT WE DELIVER

**Building consents**

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

The Council employ adequate staff and external contractors to ensure the above is delivered efficiently and effectively. This includes processing approximately 1,800 building consents (with a built value of approximately $1bn) and undertaking 18,000 inspections annually.

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

**Regulatory and Enforcement**

### Resource Consent Monitoring

Monitoring of Resource Consents is undertaken in accordance with the Monitoring Prioritisation Strategy.

### Freedom Camping

Camping Patrols are undertaken seven days a week across the district to ensure compliance with national legislation and local regulation. Responsible Camping Ambassadors educate campers, monitor camping behaviours and promote behavioural change within the district.

### Parking

Education and enforcement of the provisions of the Land Transport Act 1998 and the QLDC Traffic and Parking Bylaw 2018 has taken place across the district to encourage efficient use of the parking resources to enable functional streets and CBD's, maintain flow of traffic that is linked to parking and public transport. Response to complaints takes place 24 hours a day, seven days a week.

### Alcohol Licensing

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

### Bylaw Enforcement and complaint response

This involves the monitoring, enforcement and complaint response (RFS) in regards to bylaws.

### Animal Control

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

### Noise Control

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

### Litter

We work closely with the community to reduce littering. Where appropriate, enforcement action can be taken, including the issuing of infringements under the Litter Act.

### Waterways

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

### Environmental Health

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

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

> The Dog Control Bylaw was completed and adopted 25 June 2020.

> Navigation Safety Bylaw 2018 was completed in April 2018, however clause 46 took effect on 1 July 2019.

> The Queenstown Lakes District Council Freedom Camping bylaw was reviewed and adopted in December 2019.

> Funding received from MBIE allowed Council to continue initiatives to assist managing the negative aspects of Freedom Camping in our region over Summer 2019/20.

> Two Responsible Camping hubs were set up to support campers to “do the right thing” and offered basic facilities including rubbish and recycling, dumpstation and potable water. Self-contained campervans were offered a maximum 2 hour stay. Over 19,500 vehicles came through the hubs during the season.

> 16 Responsible Camping Ambassadors were employed to educate campers, monitor camping behaviours and promote behavioural change within the district.  Use of two hybrid vehicles allowed wide coverage of our region and increased visibility assisted in reduction of poor behaviours

> Increased resources applied to enforcement teams to ensure wider coverage including into previously unmonitored areas.

> Data gathering through surveys of over 30,000 travellers to support decision making.

> Signage and collateral used to ensure campers were aware of expectations and the “Tiaki Promise”

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

## HOW MUCH IT COST

Breakdown of service cost

| Regulatory Functions and Services | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | - | - | - |
| Targeted rates | 2,088 | 1,077 | 1,785 |
| Subsidies & grants for operating expenditure | - | - | - |
| Fees & charges | 8,083 | 8,742 | 7,592 |
| Interest and dividends from investments | - | - | - |
| Fuel tax, fines, infringement fees & other receipts | 3,504 | 4,058 | 3,168 |
| **Total sources of operating funding** | **13,675** | **13,877** | **12,545** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 10,063 | 10,234 | 17,698 |
| Finance costs | 9 | 10 | 6 |
| Internal charges applied | 3,736 | 3,725 | 4,524 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **13,808** | **13,969** | **22,228** |
| **Surplus/(deficit) of operating funding** | **(133)** | **(92)** | **(9,683)** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase/(decrease) in debt | 42 | -18 | -17 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **42** | **(18)** | **(17)** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | - | - | - |
| - to replace existing assets | - | 15 | - |
| - to improve the level of service | 65 | 5 | 4 |
| Increase/(decrease) in reserves | (157) | (130) | (9,704) |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **(92)** | **(110)** | **(9,700)** |
| **Surplus/(deficit) of capital funding** | **133** | **92** | **9,683** |
| **Funding balance** | **-** | **-** | **-** |

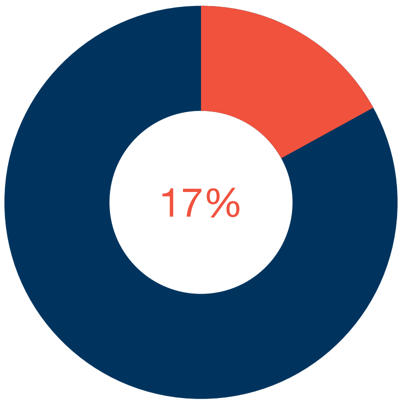
| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| Reduced building consenting income and $6.6m provision for appeals and settlements for the defence and resolution of legal claims; | Not applicable | Not applicable |

| Summary of internal borrowings | | | | |
|---|---|---|---|---|
| **Activity** | **30 June 2020 Internal loan balance $000** | **Total funds repaid in the year $000** | **Total funds borrowed during the year $000** | **Interest paid in the year $000** |
| Regulatory Functions and Services | 48 | 6 | 1 | 2 |

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Regulatory expenditure of $22,228,000



# Case study – Dog Control Bylaw 2020 and Dog Control Policy 2020

As part of the Dog Control Bylaw 2014 and Dog Control Policy 2014 review pre-consultation was undertaken in June 2019. Council invited key stakeholders, such as veterinarians, professional dog walkers and community association representatives, in addition to internal staff experts, to form a Dog Control Bylaw Review Focus Group. This Focus Group met on 14 May 2019 in Queenstown and on 15 May 2019 in Wānaka. During these meetings, Focus Group participants discussed both positive and negative aspects of the current bylaw. These discussions identified clear themes that would shape topics included in the pre-consultation survey.

Pre-consultation took place with the community in June 2019 with an online survey regarding dog control matters. There were 184 completed surveys received, which provided information to assist in the development of the proposed amendments to the current Bylaw and Policy.

Clear themes were identified from the surveys and these have shaped amendments made to the Bylaw and Policy. These topics included additional walking tracks where dogs are required to be on-leash, and allowing on-leash dogs to access Buckingham Street, Arrowtown, where dogs are currently prohibited.

The Animal Control Officers have also had to deal with complaints relating to dogs worrying stock on private land on Queenstown Hill and complaints relating to the Bremner Bay area and what restrictions were in place.

The draft Dog Control Bylaw 2020 and draft Dog Control Policy 2020 went out for public consultation in February 2020. The Animal Control Team organised 'The Queenstown Dog Walk' on 16 February and this provided a great opportunity for dog owners to chat with staff on the proposed changes, while getting together and enjoying a group dog walk in the Queenstown Gardens.

As a result, changes in the Dog Control Bylaw 2020 include:

- Restricting dogs to being on-leash when in Matakauri Park
- Permitting dogs on Buckingham Street in Arrowtown, but they must be on-leash at all times
- Prohibiting dogs on Queenstown Hill and Queenstown Hill Walkway

A clarification is included in the draft Dog Control Bylaw 2020, stating that dogs are permitted on-leash at Bremner Bay in Wānaka - an existing restriction.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 44% | 100% | The aggregate result for the year 2019-20 has not been achieved. COVID-19 has made a significant impact on the end of the third quarter and the final quarter of this year. The workload associated with the new Food Act is not achievable at present and a backlog of work remains, with the Environmental Health team working on a risk-based focus. The Food Act requires audits to be conducted based on the outcome of their initial audits. This means that the audit cycle is fluid and depends on the outcomes of audits as to how many will be scheduled in the upcoming months. Prior to Covid-19 there was an increase in the number of businesses registering and this increase can be attributed to seasonal trend, district growth and the higher numbers of mobile operators in the district. |
| 2018-19 | 80% | | |

*KPI: Number of Request for Service freedom camping complaints.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 120 | <318 | 120 freedom camping RFS were received 2019/20. This is well within the annual target to be under 318 and is less than half the numbers recorded last year. |
| 2018-19 | 255 | | |

*KPI: Percentage of building consents processed within statutory timeframes.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 98% | 100% | 98% of building consents were processed within the 20 day statutory timeframe year to date. This did not quite achieve the 100% target set. 1799 applications have been received year to date of which 1761 have been issued on time. Despite not reaching the target, the aggregate result was significantly higher than last year. |
| 2018-19 | 94% | | |
| 2017-18 | 97% | | |

# Local democracy

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

# About local democracy

## WHAT WE DELIVER

### Governance

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

The Local Government Act 2002 creates a model of participative democracy to enable decision making for the benefit and well-being of the community. Elected members lead the decision making process for the community. Decisions are made taking into consideration the views of the community, but the elected members are accountable for those decisions.

Council staff plan and prepare the agendas for these meetings, ensure the meetings follow the approved procedures (standing orders) and minute the record of each meeting. Agenda and minutes are available to the community through the Council website and all meetings are open to the community and provide for a period of public forum where Councillors can be directly addressed.

Governance is responsible for:

- Developing strategic priorities for the activities that the Council will deliver.
- Developing and approving the long-term strategic and financial plan for the Council (the Ten Year Plan).
- Monitoring the Council's performance in the achievement of the plans.
- Communicating priorities, plans and achievements to the community.
- Ensuring the Council's obligations and responsibilities under more than sixty different laws and a large number of regulations are met on a continuing basis. Staff are responsible for advising the Council on pending and actual changes to legislation.
- Providing access to public information the Council holds, within the restrictions of the Privacy Act 1993 and complying with the Local Government Official Information and Meetings Act 1987.

### Current Representation Arrangements

QLDC is made up of the Mayor and ten Councillors with the district divided into three wards:

| MAYOR |
|---|
| Jim Boult ONZM |
| **ARROWTOWN WARD** |
| Heath Copland |
| **WAKATIPU WARD** |
| Craig (Ferg) Ferguson |
| Glyn Lewers |
| John MacDonald |
| Niki Gladding |
| Penny Clark |
| Valerie Miller |
| **WĀNAKA WARD** |
| Calum MacLeod (Deputy Mayor) |
| Niamh Shaw |
| Quentin Smith |

## Wānaka Community Board

The Wānaka Community Board is not a committee of Council but a separate unincorporated body established under Section 49 of the Local Government Act 2002. The role of the Wānaka Community Board is to represent and act as an advocate for the Upper Clutha community. The Council has given extensive delegation to the Wānaka Community Board to make decisions on many of the facilities and services located within the Wānaka Ward. The membership of this Community Board is:

| WĀNAKA COMMUNITY BOARD |
|---|
| Barry Bruce (Chair) |
| Ed Taylor (Deputy) |
| Chris Hadfield |
| Jude Battson |
| Deputy Mayor Calum MacLeod |
| Councillor Niamh Shaw |
| Councillor Quentin Smith |

## Committees

The Council reviews its committee structure after each triennial election. At the review in December 2016, the Council resolved to increase standing committees to four and meet on a six weekly basis. The Council also established the following committees to oversee specific activities:

- Audit, Finance and Risk
- Planning and Strategy
- Infrastructure
- Community and Services
- Appeals
- District Licensing
- Chief Executive Performance Review

The Mayor may attend and vote at any meeting of Council or its committees, and Councillors are entitled to attend (but not vote at) any committee meeting of which they are not a member. The exception to this is the District Licensing Committee which has powers of a commission of enquiry under the Sale and Supply of Alcohol Act 2012.

The membership of these committees is:

| AUDIT, FINANCE AND RISK COMMITTEE |
|---|
| Councillor John MacDonald (Chair) |
| Councillor Heath Copland |
| Bill Moran (Independent) |
| Roger Wilson (Independent) |
| Stuart McLaughlan (Independent) |

| PLANNING AND STRATEGY COMMITTEE |
|---|
| Councillor Penny Clark (Chair) |
| Councillor John MacDonald (Deputy) |
| Deputy Mayor Calum MacLeod |
| Councillor Niamh Shaw |
| Councillor Quentin Smith |
| Councillor Valerie Miller |

| INFRASTRUCTURE COMMITTEE |
|---|
| Councillor Quentin Smith (Chair) |
| Councillor Heath Copland (Deputy) |
| Councillor Craig (Ferg) Ferguson |
| Councillor Glyn Lewers |
| Councillor Niki Gladding |
| Councillor Penny Clark |

| COMMUNITY AND SERVICES COMMITTEE |
|---|
| Councillor Craig Ferguson (Chair) |
| Councillor Valerie Miller (Deputy) |
| Councillor Glyn Lewers |
| Councillor Heath Copland |
| Councillor Niamh Shaw |
| Councillor Niki Gladding |

| APPEALS SUBCOMMITTEE |
|---|
| The Chairperson of the Planning and Strategy Committee and any two other members of that Committee. |

| DISTRICT LICENSING COMMITTEE |
|---|
| Bill Unwin (Chair) |
| John Mann |
| Lyal Cocks |
| Michael MacAvoy |
| Bob McNeil |
| Neil Gillespie |

| CHIEF EXECUTIVE PERFORMANCE REVIEW SUBCOMMITTEE |
|---|
| Mayor Jim Boult ONZM |
| Deputy Mayor Calum MacLeod |
| Councillor John MacDonald |

### Community engagement

This activity aims to empower the communities of the Queenstown Lakes District to participate meaningfully in shaping the district's services, facilities and policies. This includes encouraging people to participate in democracy by being involved in making decisions about the community where they live.

### Community leadership

This activity supports elected members (Council, Committees and Wānaka Community Board) in their leadership role, to make informed decisions and monitor the delivery of services.

The focus of the Council's contribution to the wider public interest will be to provide the activities of local democracy, infrastructure, local public services and performance of regulatory functions whilst ensuring these activities provide quality (efficient, effective and appropriate to present and future circumstances) and are economically sustainable (cost-effective for households and businesses).

### Local elections

Council used the First Past the Post (FPTP) electoral system for the 2019 triennial election. Electors vote by indicating their preferred candidates(s), and the candidate(s) that receives the most votes is declared the winner regardless of the proportion of votes that candidate(s) obtained.

The Queenstown Lakes District consists of three wards: Queenstown-Wakatipu, Arrowtown and Wānaka. The Mayor is elected at large throughout the district. Six Councillors are elected from the Queenstown-Wakatipu ward, one from the Arrowtown ward and three from the Wānaka ward.

Elections for the Queenstown Lakes District Council (Mayor and Councillors and Wānaka Community Board), Otago Regional Council, Southern District Health Board and Central Otago Health (Wānaka ward) are held every three years on the second Saturday in October.

The next election will occur on the 8 October 2022.

### Emergency management

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

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

The Council is required to be an active member of the Otago CDEM Group, which is coordinated by Emergency Management Otago. Emergency Management Otago employs Emergency Management Officers (EMOs) who are assigned to each partner Council to coordinate the reduction, readiness, response and recovery objectives that are outlined in the Otago CDEM Group Plan. Council Officers support the readiness and response to emergency events through their voluntary assignment to the Council's Emergency Operations Centre (EOC), and lead much of the response and recovery initiatives that support the local community.

Emergency Management Officers and Council officers work in collaboration with Emergency Services and partner agencies at both a local and regional level to fulfil the requirements of the CDEM Act (2002), National Disaster Resilience Strategy (2019), National CDEM Plan (2015), and the Otago CDEM Group Plan.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

- Preparations for the impending pandemic event began in mid-February with the updating of the QLDC Pandemic Response Plan. This planning escalated into reality on Saturday 14 March when the Queenstown Lakes District registered its first COVID-19 positive patient. This milestone triggered the activation of the following QLDC COVID-19 teams:
  - CDEM Emergency Operation Centre (EOC)
  - QLDC Business Continuity Response Team
  - QLDC Recovery Team-Economic and Social Recovery workstreams
- Each of these teams has focussed on a key element of the council's duty to provide leadership throughout the COVID-19 Pandemic and safeguard the welfare and continuity of QLDC services to the community. This has involved a significant investment by QLDC in terms of staffing, resourcing and financial expenditure to ensure that all current and future challenges associated with Covid-19 were managed as effectively as possible. The financial commitment for the EOC Response alone is in excess of $2.9M NZD, the majority of which has been associated with the unprecedented level of welfare support required by our local community.
- The CDEM response ended on 1 July with a transition to DIA/Red Cross. Over the course of the 15 week activation the following priorities were effectively managed by QLDC officers:
  - Leading the logistical effort to find quarantine accommodation for positive COVID-19 patients and self-isolation accommodation for international tourists and returning nationals.
  - Support Public Health South with Border Control at Queenstown International Airport.
  - Developing and deploy plans for managing the significant number of Freedom Campers under alert Level Four.
  - Facilitating a local Health Sector Liaison Group to help develop contingency plans for the predicted surge in local community COVID-19 transmission.
  - Supporting Wellsouth (Primary Health Organisation) with the setup of Community Based Assessment Centre's (CBACs) at Lake Hayes Pavilion, Memorial Hall and Pak N Save.
  - Developing a welfare team structure and supermarket voucher system from scratch that would work under level four lockdown protocols. The Welfare team supported 7,376 individuals who submitted over 23,340 welfare requests for such items as food vouchers, primary health care, mental health support, clothing, household goods, firewood etc.

- The development of a bespoke software system to support the escalating caseload of welfare registrants.
- Working with Volunteer Central to recruit, train, roster and manage a significant number of volunteers to support the Welfare effort.
- Collaborating with Salvation Army, Happiness House, Baskets of blessing, Central Lakes Family Services, Citizens Advice etc to help ensure the agencies had the capacity and support to deliver their services.
- Establishing a Repatriation working group which facilitated the complex task of advocating and supporting locally based foreign nationals with their repatriation planning.
- Working with local Medical Practices & Community Funders to help ensure that vulnerable members of the community had access to primary health care and mental health support.
- Working with Emergency Management Otago and NEMA to advocate for the acute needs of our community.

> Prior to the Covid-19 response the QLDC Emergency Operations Centre had been activated to support two severe weather events.

- In December 2019, a period of high rain fall resulted in both Lake Wakatipu and Lake Wanaka rising past their flood alert levels.
- In February 2020, a sudden onset weather event caused significant damage in Milford and widespread flooding in Southland, with localised impacts to the Queenstown Lakes district including flooding in Glenorchy, slips on SH6 and the aerial evacuation of trampers from local DOC tracks.

> Looking forward, the QLDC emergency response capacity has been significantly lifted with the assignment of two new Emergency Management Officers to the district and the substantive experience that has been gained from the 3.5 months that the EOC was activated for the Covid-19 response. This additional capacity and acquired experience will help to ensure that effective readiness planning and response activation can occur across the district in preparation of future emergency events.

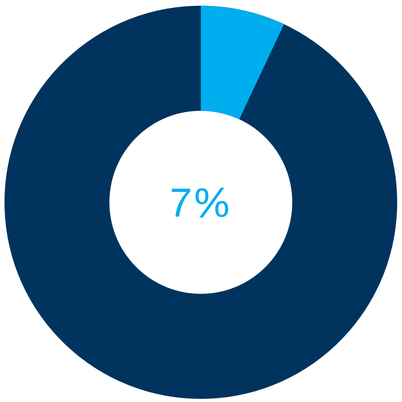
## HOW MUCH IT COST

Breakdown of service cost

## AS A PERCENTAGE OF TOTAL EXPENDITURE

Total Council operating expenditure of $131,506,000 (excluding depreciation)

Local democracy expenditure of $9,320,000




| Local Democracy | 2019 LTP $000 | 2020 LTP $000 | 2020 Actual $000 |
|---|---|---|---|
| **Sources of operating funding** | | | |
| General rates, uniform annual general charge, rates penalties | 286 | 434 | 508 |
| Targeted rates | 3,640 | 4,984 | 6,920 |
| Subsidies & grants for operating expenditure | - | - | - |
| Fees & charges | 24 | 25 | 20 |
| Interest and dividends from investments | 4,958 | 5,404 | 6,248 |
| Fuel tax, fines, infringement fees & other receipts | - | - | 2,850 |
| **Total sources of operating funding** | **8,908** | **10,847** | **16,546** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 2,219 | 2,340 | 5,564 |
| Finance costs | - | - | - |
| Internal charges applied | 1,792 | 3,193 | 3,756 |
| Other operating funding applications | - | - | - |
| **Total applications of operating funding** | **4,011** | **5,533** | **9,320** |
| **Surplus/(deficit) of operating funding** | **4,897** | **5,314** | **7,226** |
| **Sources of capital funding** | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase/(decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| **Total sources of capital funding** | **-** | **-** | **-** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | - | - | - |
| - to replace existing assets | - | - | - |
| - to improve the level of service | - | - | - |
| Increase/(decrease) in reserves | 4,897 | 5,314 | 7,226 |
| Increase/(decrease) of investments | - | - | - |
| **Total applications of capital funding** | **4,897** | **5,314** | **7,226** |
| **Surplus/(deficit) of capital funding** | **(4,897)** | **(5,314)** | **(7,226)** |
| **Funding balance** | **-** | **-** | **-** |

| Significant cost of services variances | Significant capital expenditure | Significant capital expenditure variances |
|---|---|---|
| Additional Welfare payments as a Covid-19 response which were reimbursed by NEMA | Not applicable | Not applicable |

**Summary of internal borrowings**

| Activity | 30 June 2020 Internal loan balance $000 | Total funds repaid in the year $000 | Total funds borrowed during the year $000 | Interest paid in the year $000 |
|---|---|---|---|---|
| Local Democracy | Nil | Nil | Nil | Nil |

# Case study – Business Continuity Plan

Prior to COVID-19, QLDC had developed a Business Continuity Management Policy that defined the guiding principles, team structures and action plan requirements for effectively managing any business continuity disruption. As 2020 progressed, it became clear that this needed to be accompanied by a specific Pandemic Business Continuity Plan (BCP).

Included within this plan was a four stage Alert Level framework to guide the Council BCP response which aligned well with the Central Government framework that was released on March 21st. This model demonstrated that QLDC needed to balance its focus and resources on both business continuity and civil defence response concurrently.

It was essential that some of Council's core services were seamlessly maintained – everyone still needed their bins to be collected, water to come out of the taps and the toilets to flush. Whilst some of the community facilities were closed at Alert Levels 3 and 4, where possible affected staff were redeployed elsewhere, including providing support to the Emergency Operations Centre welfare systems.

A key factor in the success of the BCP was QLDC's robust and reliable technology platform. Previous investment into the Council's critical technology systems ensured they were adaptive to such an event and ready to support en-masse home working. This investment provided the foundation to ensure that the Council organisation and Emergency Operations Centre were able to remain operational throughout the COVID-19 response, largely working remotely via an online emergency management tool. Even Full Council meetings went online, live streamed and accessed via online teleconferencing.

On balance, QLDC was able to retain a high level of service throughout every level of the pandemic and is well prepared in the unfortunate event of a resurgence. Technology solutions and smart staff redeployment enabled the organisation to keep working for the community throughout, with little downtime experienced.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 48% | >80% | 48% of survey respondents considered themselves resilient and prepared in the event of an emergency. This is a 3% increase compared to the previous year, but significant change is needed to meet the target set. |
| 2018-19 | 45% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-19 | 29% | 100% | 29% of QLDC EOC staff received formal training in 2019-20. The training scheduled in March/April 2020 were unable to occur due to COVID-19.<br>The EOC team was stood up for three events in 2019-20, with two flooding events occurring and the COVID-19 response. There were 149 people in the emergency response team for COVID-19, which included 62 QLDC staff, two Otago Regional Council staff, five contractors and 80 volunteers.<br>Whilst the formal training percentage is low, all staff were activated and received on the job experience and training. EOC staff training for the coming year is currently being mapped out to meet the target of 100%. |
| 2018-19 | 93% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 37% | >80% | 37% of respondents are satisfied with Council performance. This is a decrease compared to the previous year which had a result of 43% satisfaction. |
| 2018-19 | 43% | | |

*KPI: Attendance at all Te Roopu Taiao*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 100% | 100% | One Te Roopu Taio meeting was held in late 2019. This was attended by a QLDC staff member and an Elected Member. An earlier meeting had been scheduled for August but was cancelled by organisers, and the meeting planned for early 2020 was not scheduled due to the Covid-19 restrictions. |
| 2018-19 | 50% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | Not available | 80% | This partnership engagement review has not been able to be completed yet due to the constraints and work pressures associated with COVID-19. QLDC has worked closely with Aukaha and Te Ao Marama on many projects throughout 2019-20 and remains committed to this partnership. |

# Finance and support services

An organisation that consults effectively and makes sound decisions

# About finance and support services

## WHAT WE DELIVER

### Finance

***The Finance team within QLDC:***

> Provides financial expertise, knowledge and tools required by QLDC's managers to make informed decisions.

> Provides finance services to other QLDC teams and activities.

> Ensures the finance function is structured in a way that provides flexibility to meet future demands and pressures.

> Ensures QLDC continues to appropriately manage its financial risk and fulfil its regulatory and statutory obligations.

> Ensures QLDC maintains a consistent culture of financial literacy and fiscal responsibility.

### Human resources

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

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

***Our key areas of responsibility are:***

> Attraction, recruitment and selection.

> Organisational culture and employee engagement.

> Learning, skills and capability development – organisational performance

> Leadership development

> Employment relations.

> Systems, policies and processes.

> Health, safety and well-being.

### Knowledge management

The Knowledge Management team manages the Information and Communication Technology (ICT) infrastructure and application support, as well as providing spatial services, data and business analysis and Information management. Knowledge Management supports the Council by managing technology risk, developing robust future-proof systems and delivering transformational technology projects to meet and keep pace with the evolving needs of its customers - residents, visitors, businesses, partners, central government and staff.

### Customer services

The Customer Services team provides the first point of contact for most of the community's interaction with QLDC. The Customer Services team provides face to face contact in our Gorge Road, Shotover Street and Ardmore Street offices. They are responsible for answering all phone enquiries and emails to the services@qldc.govt.nz inbox.

### Procurement

Procurement continues to mature across the organisation as demonstrated by the move towards standardisation of tools, templates, and increased transparency and the understanding of commercial risk, opportunity and value for money.

The COVID-19 pandemic has focused attention on the resilience and security of our supply chains and their critical importance to our ability to deliver core infrastructure and community services. Work continues in this area to ensure the provision of works and services throughout the various Alert Levels.

## PROGRESS AGAINST THE 10 YEAR PLAN 2018-2028

***The following Procurement initiatives have been completed or are underway:***

The Three Waters Design and Construction Panels are now operational and are delivering to expectations.  Utilising the lessons learned from this model, we have also gone to market and now have in place a multi-disciplinary professional services panel with Panel Members covering the spectrum from national firms to smaller, local suppliers. This professional services panel is set up to easily add disciplines when a business need arises.

During the year Waka Kotahi NZTA approved our three yearly Transport Procurement Strategy; and we have commenced the review of our Procurement Policy and Procurement Guidelines and this will be concluded in the coming year.

***The following HR initiatives have been completed or are underway:***

- An organisational learning & development calendar has been established to promote key skills and competency requirements across the business.
- Te Tiriti o Waitangi framework has been established, supported by training across the business.
- A range of improvements to systems and processes to improve operational efficiency, including:
    - An update to QLDC's recruitment and candidate management system, QJumpers.
    - Improved use of QLDC's enterprise system for HRIS purposes.
- Development of a business continuity plan, focussed in the first instance on pandemic response.
- Development of a workforce strategy is underway to support the upcoming Ten Year Plan 2021 – 2031.
- We continue to focus on leadership development to drive business capacity, capability and performance. A procurement process for a leadership development programme was conducted through late 2019 and early 2020. The new programme is expected to commence in October 2020.
- In continuing to drive organisational engagement, QLDC transitioned in 2019 to Gallup as our new engagement survey provider.
- Changes to health & safety reporting timeframes and actions, which have ultimately improved safety performance for QLDC employees.
- Continued development of QLDC's contractor health & safety management processes, to ensure safety of workers across the board.
- Introduction of new events health & safety guidelines.

***The following technology/digital initiatives have been completed or are underway:***

- The Digital Strategy was updated to ensure organisational strategic alignment.
- Sentient Portfolio Program Management has been implemented to support ICT governance.
- Preparation phase to move our enterprise system (TechnologyOne) to the cloud enters final stage.
- The Geographic Information System (GIS) platform was updated to better support all of Council and serve maps externally.
- The telecommunications platform was modernised and moved to the cloud to improve resilience.
- A new five year print contract was negotiated achieving significant operational savings.
- Migration of QLDC email to Exchange Online to improve resilience.
- Improvement of 3rd party software integration to support response of water related requests for service.

## HOW MUCH IT COST

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

# Case study – Climate Action Plan

On 12 March 2020 Queenstown Lakes District Councillors adopted the Climate Action Plan at the full Council meeting. The plan had been developed following many months of expert advice and community engagement and sends a strong message that QLDC is serious about, and committed to, addressing climate impacts.

The Climate Action Plan is aligned to Vision Beyond 2050 and demonstrates bold and progressive leadership on behalf of our community, who told QLDC very clearly through the Quality of Life survey results and feedback on earlier drafts that they are concerned about the effects of climate change on our district.

The mandate from Council to prepare a Climate Action plan was given in late 2018, and early engagement on climate change issues were captured as part of the *My Place* workshops completed throughout the district in February and March 2019. There were also focus groups held with local climate experts, iwi and key stakeholders. The draft plan was then published and community feedback gathered during August 2019, and a number of workshops held with Councillors.

The overall goals for the district highlighted in the Climate Action Plan are to achieve net zero carbon emissions by 2050, and to be resilient to the local impact of climate change across the whole district.

A number of high-level outcomes have been identified in the Climate Action Plan including developing transformational options for net-zero emissions public transport, supporting a climate responsive built environment and infrastructure, and working to ensure our communities are climate-conscious and resilient.

Early actions include establishing an independent, multidisciplinary Climate Reference Group tasked with agreeing priority action areas, systematically embedding climate change risks and considerations into all Council decision-making processes, setting targets and measures for success, and strengthening local networks to progress community initiatives.

# How we performed

## HOW QLDC PERFORMED AGAINST ITS KEY PERFORMANCE INDICATORS (KPIS)

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 81% | >95% | 81% of complaints have been resolved within 10 working days. There have been 23 complaints received this year. This did not meet the target set and further work is required to improve this process. |
| 2018-19 | 87.1% | | |

*KPI: Reduction in the Total Recordable Injury Frequency Rate*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 6.15 | <12 | The target was achieved for the 2019-20 financial year. |
| 2018-19 | 15.17 | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 48% | >80% | 48% were extremely satisfied and satisfied with opportunities to have their say as measured by the Quality of Life survey, September 2019. This is a decrease of 10% compared to the previous year and requires further exploration. |
| 2018-19 | 58% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 65.3% | ≥100% | The target has not been met. This is due to lower receipts from customers due to COVID-19 impacts offset with a reduction in finance costs, and a higher dividend from QAC. |
| 2018-19 | 95.2% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | a) 58% | >55% | Individual customer satisfaction on a case by case basis is above target and has increased compared to the previous year's results. There remains room for continued improvement, with standout positive feedback in relation to staff knowledge and professionalism, and their fairness and consistency. |
| | b) 81% | | |
| | c) 87% | | |
| | d) 86% | | |
| 2018-19 | a) 51% | >50% | The target was met and signicantly exceeded across all categories. |
| | b) 68% | | |
| | c) 78% | | |
| | d) 77% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 295% | ≥100% | The target has been achieved despite higher depreciation. This is due to the increased number of capital projects and significant growth in the current Ten Year Plan programme budget. |
| 2018-19 | 342.1% | | |

*KPI: Debt servicing to rates revenue.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 4.5% | <15% | The debt servicing to rates revenue is 4.5% for this year and achieved the target set. |
| 2018-19 | 5.4% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 14.9% | <30% | The target has been achieved due to increased efforts regarding debt collection (excludes rates). |
| 2018-19 | 7.5% | | |

*KPI: Renewals capex to depreciation ratio.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 0.52 | >1 | Depreciation expense was above budget by $9.0m for the year; largely due to the revaluation of infrastructure assets and did not meet the target set. |
| 2018-19 | 0.67 | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 56.1% | <55% | Lower income from rents, infringements and user charges in the fourth quarter due to the impact of COVID-19 has increased the proportion of rates and has not met the target set. |
| 2018-19 | 51.1% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 79.7% | <250% | The target has been achieved. Results are low due to lower than expected borrowing costs and the timing of some capital works. |
| 2018-19 | 73.9% | | |

*KPI: Net debt per rating unit.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | $4,274.96 | <$7,100 | The target has been achieved. This remains low due to lower than expected borrowing costs and the timing of some capital works. |
| 2018-19 | $3,186.85 | | |

*KPI: Rates per rating unit.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | $3,006.94 | <$2,700 | The rates increase for 2018-19 and 2019-20 were higher than forecast and has not met the target set. |
| 2018-19 | $2,803.42 | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 89.2% | ≥100% | Lower income from rents, infringements and user charges in the fourth quarter due to the impact of COVID-19 has resulted in revenue not exceeding the operational costs for the year. The target has not been achieved. |
| 2018-19 | 99.8% | | |

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

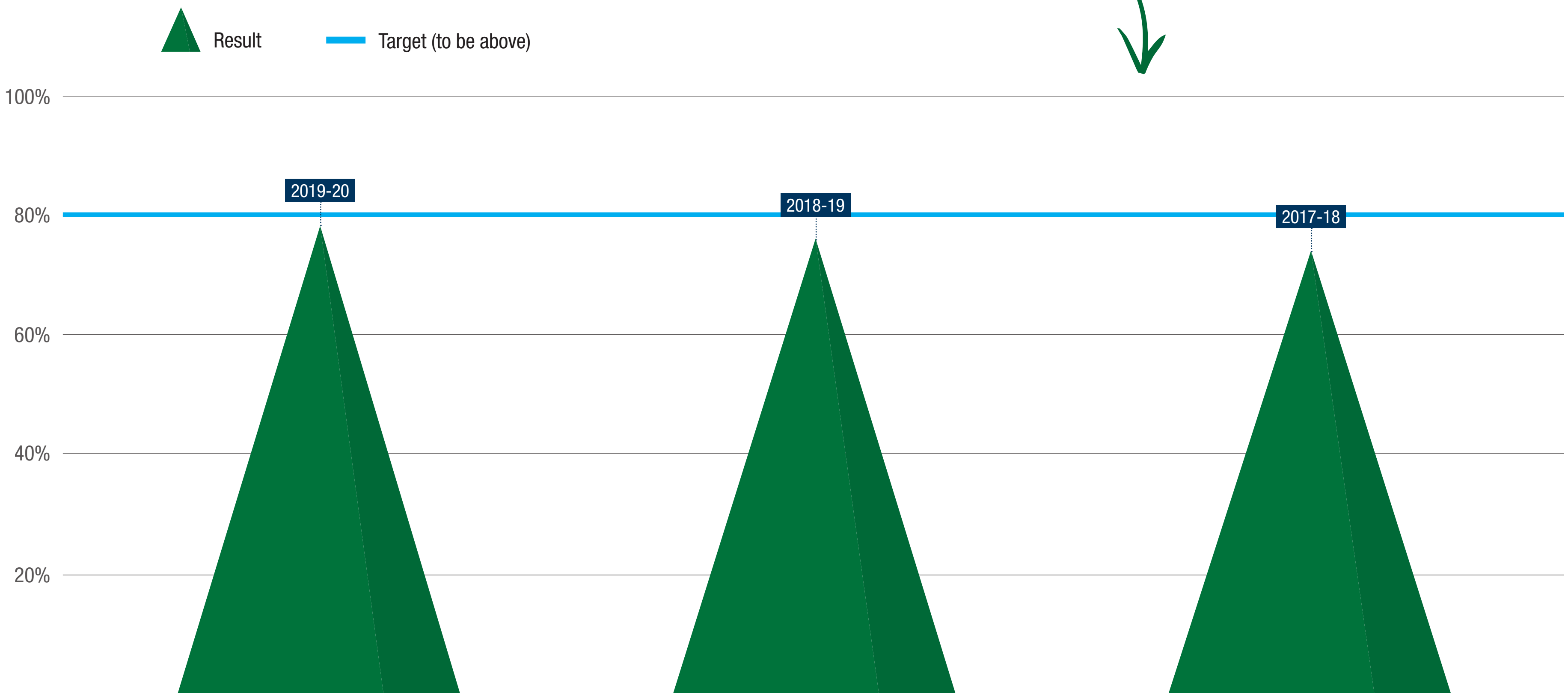
| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 58.1% | <100% | The target has been achieved. This remains low due to lower than expected borrowing costs and the timing of some capital works. |
| 2018-19 | 70.7% | | |

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

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 2.2% | <15% | The target has been achieved. Results are low due to lower than expected borrowing costs and the timing of some capital works. |
| 2018-19 | 2.7% | | |

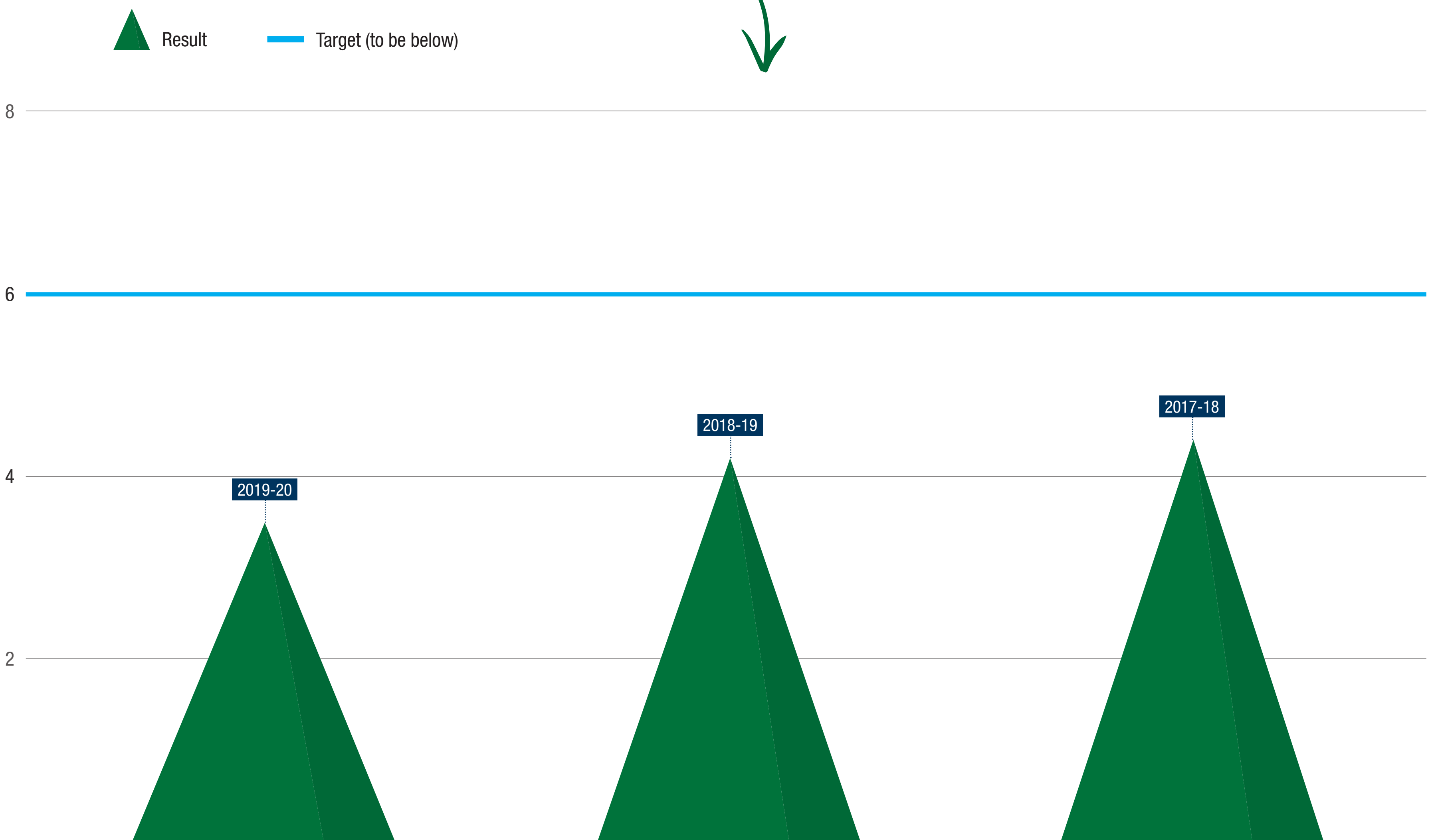
*KPI: Percentage of customer calls that meet the service level, answered within 20 seconds.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 78% | >80% | 78% of customer calls were answered within 20 seconds this year to date. Despite not quite achieving the target set, trend analysis shows improvement year on year. In total, there were 70,585 calls received in 2019-20. |
| 2018-19 | 76% | | |
| 2017-18 | 74% | | |



*KPI: Weighted average interest rate.*

| Year | Result | Target | Commentary |
|---|---|---|---|
| 2019-20 | 3.47% | <6% | With the overall reduction in the OCR over the past year, QLDC is experiencing lower than anticipated interest rates. This achieved the target set. |
| 2018-19 | 4.2% | | |
| 2017-18 | 4.4% | | |



# Queenstown Airport Corporation Ltd

| Year Ended 30 June 2020 | Forecast 2020 $000 | Actual 2020 $000 | Variance 2020 $000 |
|---|---|---|---|
| **Revenue** | **55,300** | **46,667** | **(8,633)** |
| Operating Expenditure | 18,136 | 15,338 | (2,798) |
| EBITDA | 37,164 | 31,329 | (5,835) |
| Interest Expense | 3,233 | 2,633 | (600) |
| Depreciation and Amortisation | 9,971 | 8,965 | (1,006) |
| Profit Before Tax | 23,960 | 19,731 | (4,229) |
| Net Profit After Tax | 17,246 | 17,996 | 750 |
| Dividends Paid | 7,732 | 1,000 | -6,732 |
| Total Assets | 425,914 | 398,525 | (27,389) |
| Total Liabilities | 131,880 | 104,819 | (27,061) |
| Shareholders Funds | 294,034 | 293,706 | -328 |
| Operating Cash Flow | 32,410 | 21,721 | (10,689) |
| Capital Expenditure | 63,212 | 15,448 | (47,764) |
| Closing Debt | 115,501 | 69,000 | (46,501) |

| Year Ended 30 June 2020 | Forecast 2020 $000 | Actual 2020 $000 | Variance 2020 $000 |
|---|---|---|---|
| **Total PAX (000's)** | **2,501** | **1,871** | **(630)** |
| Percentage International PAX | 29% | 31% | 2% |
| Revenue Per PAX | $22.11 | $24.94 | $2.8 |
| NPAT per PAX | $6.90 | $9.62 | $2.72 |
| Return on Equity (NPAT to Avg SH Funds) | 5.9% | 6.1% | 0.2% |
| Return on Assets (NPAT to Avg Total Assets) | 4.0% | 4.5% | 0.5% |
| Gearing: Debt: EBITDA | 3.1 | 2.2 | |
| EBITDA >2 times funding expense | 11.5 | 11.9 | |
| Shareholders Funds to Total Tangible Assets >50% | 69% | 74% | |

## ASSESSMENT OF ACTUAL VS FORECAST FINANCIAL PERFORMANCE

Significantly lower than expected passenger performance due to COVID-19 resulted in Total Revenue of 16% below forecast.

Total Operating Expenditures was 15% favourable to forecast due to consolidation of the business during the fourth quarter as a result of covid19.

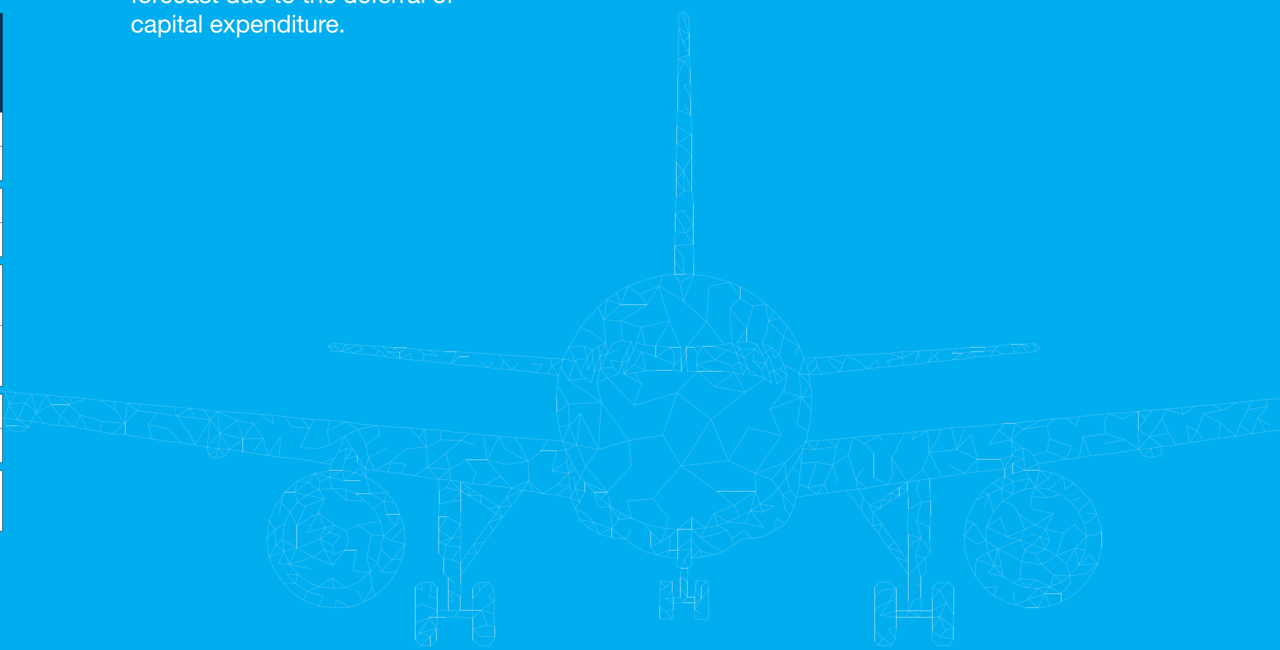
As a result EBITDA was 16% lower than forecast.

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

Tax expense reflects an effective tax rate of 8.8% (due to the recognition of a deferred tax asset from tax on buildings depreciation), resulting in NPAT of 4% favourable to forecast.

Dividend for the year of $1.0 million was 5.5% of NPAT, as a result of consolidation of the business as a result of COVID-19.

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



# Funding Impact Statement Whole Council (QLDC only)

# Funding Impact Statement - Whole Council (QLDC only)

| | 2019 LTP $000 | 2019 Actual $000 | 2020 Annual Plan $000 | 2020 Actual $000 |
|---|---|---|---|---|
| **Sources of operating funding** | | | | |
| General rates, uniform annual general charge, rates penalties | 3,322 | 3,669 | 3,338 | 3,450 |
| Targeted rates | 71,474 | 70,717 | 81,919 | 81,114 |
| Subsidies & grants for operating expenditure | 4,897 | 7,899 | 5,649 | 8,059 |
| Fees & charges | 36,681 | 36,783 | 39,760 | 32,637 |
| Interest and dividends from investments | 4,958 | 5,998 | 5,404 | 6,507 |
| Fuel tax, fines, infringement fees & other receipts | 7,797 | 10,794 | 9,027 | 11,477 |
| **Total sources of operating funding** | **129,129** | **135,860** | **145,097** | **143,244** |
| **Applications of operating funding** | | | | |
| Payments to staff and suppliers | 105,080 | 112,620 | 118,563 | 127,753 |
| Finance costs | 6,742 | 3,951 | 8,747 | 3,753 |
| Other operating funding applications | - | - | - | - |
| **Total applications of operating funding** | **111,822** | **116,571** | **127,310** | **131,506** |
| **Surplus/(deficit) of operating funding** | **17,307** | **19,289** | **17,787** | **11,738** |
| **Sources of capital funding** | | | | |
| Subsidies & grants for capital expenditure | 12,816 | 7,981 | 28,337 | 5,738 |
| Development and financial contributions | 16,239 | 14,054 | 19,422 | 21,425 |
| Increase/(decrease) in debt | 43,438 | 19,545 | 94,886 | 13,402 |
| Gross proceeds from sale of assets | 24,800 | - | 3,000 | - |
| Lump sum contributions | - | - | - | - |
| Other dedicated capital funding | - | - | - | - |
| **Total sources of capital funding** | **97,293** | **41,580** | **145,645** | **40,565** |
| **Applications of capital funding** | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 41,844 | 20,692 | 49,047 | 16,316 |
| - to replace existing assets | 26,163 | 18,084 | 37,913 | 17,873 |
| - to improve the level of service | 46,594 | 22,223 | 76,470 | 21,113 |
| Increase/(decrease) in reserves | (1) | (130) | 2 | (2,999) |
| Increase/(decrease) of investments | - | - | - | - |
| **Total applications of capital funding** | **114,600** | **60,869** | **163,432** | **52,303** |
| **Surplus/(deficit) of capital funding** | **(17,307)** | **(19,289)** | **(17,787)** | **(11,738)** |
| **Funding balance** | **-** | **-** | **-** | **-** |

# Reconciliation of Funding Impact Statement to Statement of Financial Performance

| | 2019 LTP $000 | 2019 Actual $000 | 2020 Annual Plan $000 | 2020 Actual $000 |
|---|---|---|---|---|
| **INCOME** | | | | |
| **Statement of Comprehensive Revenue and Expense:** | | | | |
| **Total operating income** | **193,717** | **193,965** | **203,773** | **223,589** |
| | | | | |
| **Funding Impact Statement:** | | | | |
| Total sources of operating funding | 129,129 | 135,860 | 145,097 | 143,244 |
| *Plus sources of capital funding:* | | | | |
| Subsidies & grants for capital expenditure | 12,816 | 7,981 | 28,337 | 5,738 |
| Development and financial contributions | 16,239 | 14,054 | 19,422 | 21,425 |
| Other dedicated capital funding | 24,800 | - | 3,000 | - |
| Less cost of property sales | - | - | (3,000) | - |
| *Plus non-cash items:* | | | | |
| Vested assets | 10,733 | 36,070 | 10,917 | 53,182 |
| **Total income** | **193,717** | **193,965** | **203,773** | **223,589** |
| | | | | |
| **EXPENDITURE** | | | | |
| **Statement of Comprehensive Income:** | | | | |
| **Total operating expenditure** | **136,970** | **144,134** | **153,829** | **167,057** |
| | | | | |
| **Funding Impact Statement:** | | | | |
| Total applications of operating funding | 111,822 | 116,571 | 127,310 | 131,506 |
| *Plus non-cash items:* | | | | |
| Depreciation & amortisation expense | 25,148 | 27,563 | 26,519 | 35,551 |
| Other | - | - | - | |
| **Total expenditure** | **136,970** | **144,134** | **153,829** | **167,057** |

# Section 03: Financial statements

# Wāhaka 3: Kā tauākī ahumoni

# Statement of Financial Performance

| For the financial year ended 30 June 2020 | Notes | Council 2020 $'000 | Council Budget $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|---|---|
| **Operating revenue** | | | | | | |
| ***Revenue from non-exchange transactions*** | | | | | | |
| Rates revenue | 2 (a) | 83,563 | 84,357 | 73,444 | 83,072 | 72,963 |
| Other revenue | 2 (a) | 103,330 | 77,566 | 80,066 | 103,309 | 80,048 |
| ***Revenue from exchange transactions*** | | | | | | |
| Other revenue | 2 (b) | 36,696 | 41,850 | 40,455 | 76,848 | 84,469 |
| **Total revenue** | **2 (g)** | **223,589** | **203,773** | **193,965** | **263,229** | **237,480** |
| **Operating expenditure** | | | | | | |
| Employee benefits expense | 2 (c) | 33,593 | 34,980 | 30,561 | 40,515 | 36,604 |
| Depreciation and amortisation expense | 2 (d) | 35,551 | 26,519 | 27,563 | 44,402 | 35,768 |
| Borrowing costs | 2 (e) | 3,753 | 8,747 | 3,951 | 6,386 | 6,894 |
| Other expenses | 2 (f) | 94,160 | 83,583 | 82,059 | 101,945 | 90,729 |
| **Total operating expenditure** | **2 (g)** | **167,057** | **153,829** | **144,134** | **193,248** | **169,995** |
| | | | | | | |
| **Operating surplus before other gains/(losses)** | | **56,532** | **49,944** | **49,831** | **69,981** | **67,485** |
| Other gains/(losses) | 2 (b) | (5,100) | 262 | 3,041 | (5,039) | 3,075 |
| **Operating surplus before income tax** | | **51,432** | **50,206** | **52,872** | **64,942** | **70,560** |
| Income tax expense | 3 | - | - | - | 1,735 | 6,488 |
| **Operating surplus for the year** | | **51,432** | **50,206** | **52,872** | **63,207** | **64,072** |
| Operating surplus attributable to: | | | | | | |
| - Council | 20 | 51,432 | 50,206 | 52,872 | 58,709 | 59,944 |
| - Non-controlling interest | 21 | - | - | - | 4,498 | 4,128 |
| | | **51,432** | **50,206** | **52,872** | **63,207** | **64,072** |

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

# Statement of Other Comprehensive Revenue and Expense

| For the financial year ended 30 June 2020 | Notes | Council 2020 $'000 | Council Budget $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|---|---|
| Surplus for the year | | 51,432 | 50,206 | 52,872 | 63,207 | 64,072 |
| **Other comprehensive revenue and expense** | | | | | | |
| *May be reclassified subsequently to revenue or expense when specific conditions are met* | | | | | | |
| Gain/(loss) on revaluation | 19 (a) | 180,588 | - | 384,448 | 180,588 | 384,448 |
| Income tax relating to revaluation | 19 (a) | - | - | - | - | - |
| Gain/(loss) on cash flow hedging | 19 (d) | - | - | - | (503) | (693) |
| Realised losses transferred to the statement of financial performance | 19 (d) | - | - | - | 234 | 318 |
| Income tax relating to cash flow hedging | 19 (d) | - | - | - | 141 | 194 |
| **Total comprehensive income** | | **232,020** | **50,206** | **437,320** | **243,667** | **448,339** |
| Attributable to: | | | | | | |
| - Council | | 232,020 | 50,206 | 437,320 | 239,202 | 444,238 |
| - Non-controlling interest | | - | - | - | 4,465 | 4,101 |
| | | **232,020** | **50,206** | **437,320** | **243,667** | **448,339** |

# Statement of Financial Position

| As at 30 June 2020 | Notes | Council 2020 $'000 | Council Budget $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | 28 | 6,624 | 599 | 20,876 | 11,811 | 21,785 |
| Trade and other receivables from non-exchange transactions | 6 | 10,950 | 9,435 | 7,528 | 10,950 | 7,528 |
| Trade and other receivables from exchange transactions | 6 | 11,391 | 3,865 | 11,788 | 13,499 | 15,645 |
| Inventories | | 64 | 46 | 53 | 65 | 53 |
| Other financial assets | 7 | 13 | 15 | 13 | 13 | 13 |
| Other current assets | 8 | 2,278 | 797 | 912 | 2,789 | 1,263 |
| Asset held for Sale | 8 | 1,237 | - | 1,237 | 1,237 | 1,237 |
| Development property | 9 | - | 17,127 | - | - | - |
| **Total current assets** | | **32,557** | **31,884** | **42,407** | **40,364** | **47,524** |
| **Non-current assets** | | | | | | |
| Investment in subsidiaries | 25 | 5,412 | 6,250 | 5,412 | - | - |
| Other financial assets | 7 | 2,028 | 2,135 | 1,867 | 2,028 | 1,867 |
| Trade and other receivables from exchange transactions | 6 | - | - | - | 807 | - |
| Property, plant and equipment | 10 | 1,946,950 | 1,542,645 | 1,684,493 | 2,321,158 | 2,034,837 |
| Forestry assets | 11 | 1,467 | - | 2,151 | 1,467 | 2,151 |
| Intangible assets | 12 | 5,383 | - | 2,703 | 10,091 | 7,217 |
| Investment property | 13 | 56,000 | 12,152 | 58,325 | 56,000 | 58,325 |
| Development property | 9 | 11,266 | - | 11,266 | 11,266 | 11,266 |
| **Total non-current assets** | | **2,028,506** | **1,563,182** | **1,766,217** | **2,402,817** | **2,115,663** |
| **Total assets** | | **2,061,063** | **1,595,066** | **1,808,624** | **2,443,181** | **2,163,187** |
| **Current liabilities** | | | | | | |
| Trade and other payables from exchange transactions | 14 | 24,656 | 23,924 | 27,684 | 44,298 | 31,895 |
| Borrowings | 15 | 47,682 | 63,000 | 20,136 | 47,682 | 40,136 |
| Other financial liabilities | 16 | 1,248 | 21,994 | - | 1,359 | 252 |
| Other current liabilities | 17 | 22,756 | - | 14,699 | 22,643 | 14,586 |
| Employee entitlements | 18 | 2,673 | - | 1,795 | 3,676 | 2,959 |
| Current tax payable | 3 (c) | - | - | - | 3,359 | 3,370 |
| **Total current liabilities** | | **99,015** | **108,918** | **64,314** | **123,017** | **93,198** |

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

# Statement of Financial Position continued

| As at 30 June 2020 | Notes | Council 2020 $'000 | Council Budget $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | | |
| Borrowings | 15 | 71,119 | 168,933 | 86,162 | 140,119 | 128,862 |
| Other financial liabilities | 16 | 5,876 | - | 5,002 | 7,097 | 5,579 |
| Other non-current liabilities | 17 | 10,933 | - | 11,046 | - | - |
| Deferred tax liabilities | 3 (d) | - | - | - | 10,480 | 14,674 |
| **Total non-current liabilities** | | **87,928** | **168,933** | **102,210** | **157,696** | **149,115** |
| **Total liabilities** | | **186,943** | **277,851** | **166,524** | **280,713** | **242,313** |
| **Net assets** | | **1,874,120** | **1,317,215** | **1,642,100** | **2,162,468** | **1,920,874** |
| **Equity** | | | | | | |
| Reserves | 19 | 1,146,723 | 627,284 | 961,311 | 1,299,248 | 1,113,931 |
| Accumulated funds | 20 | 727,397 | 689,931 | 680,789 | 789,822 | 735,937 |
| **Total equity attributable to Council** | | **1,874,120** | **1,317,215** | **1,642,100** | **2,089,070** | **1,849,868** |
| Non-controlling interest | 21 | - | - | - | 73,398 | 71,006 |
| **Total equity** | | **1,874,120** | **1,317,215** | **1,642,100** | **2,162,468** | **1,920,874** |

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

Jim Boult
Mayor
29 October 2020

Mike Theelen
Chief Executive
29 October 2020

# Statement of Changes in Equity

| Council | Notes | Revaluation Reserves $'000 | Operating Reserves $'000 | Capital Reserves $'000 | Hedging Reserve $'000 | Accumulated Funds $'000 | Attributable to Equity Holders of Parent $'000 | Non-Controlling Interest $'000 | TOTAL EQUITY $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **For the year ended 30 June 2020** | | | | | | | | | |
| Balance at 1 July 2019 | 19/20 | 917,349 | 22,719 | 21,243 | - | 680,789 | 1,642,100 | - | 1,642,100 |
| **Total comprehensive revenue and expense for the year** | 19/20 | 180,588 | - | - | - | 51,432 | 232,020 | - | 232,020 |
| Transfers from/(to) accumulated funds | 19/20 | (2,647) | 5,896 | 1,575 | - | (4,824) | - | - | - |
| Disposals | 19/20 | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2020** | | **1,095,290** | **28,615** | **22,818** | **-** | **727,397** | **1,874,120** | **-** | **1,874,120** |
| | | | | | | | | | |
| **For the year ended 30 June 2019** | | | | | | | | | |
| Balance at 1 July 2018 | 19/20 | 527,060 | 19,656 | 20,209 | - | 637,855 | 1,204,780 | - | 1,204,780 |
| **Total comprehensive revenue and expense for the year** | | 384,448 | - | - | - | 52,872 | 437,320 | - | 437,320 |
| Transfers from/(to) accumulated funds | 19/20 | 5,841 | 3,063 | 1,034 | - | (9,938) | - | - | - |
| Disposals | 19/20 | - | - | - | - | | - | - | - |
| **Balance at 30 June 2019** | | **917,349** | **22,719** | **21,243** | **-** | **680,789** | **1,642,100** | **-** | **1,642,100** |

| Group | Notes | Revaluation Reserves $'000 | Operating Reserves $'000 | Capital Reserves $'000 | Hedging Reserve $'000 | Accumulated Funds $'000 | Attributable to Equity Holders of Parent $'000 | Non-Controlling Interest $'000 | TOTAL EQUITY $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **For the year ended 30 June 2020** | | | | | | | | | |
| Balance at 1 July 2019 | 19/20 | 1,070,703 | 22,719 | 21,243 | (734) | 735,937 | 1,849,868 | 71,006 | 1,920,874 |
| **Total comprehensive revenue and expense for the year** | 19/20 | 180,588 | - | - | (95) | 58,709 | 239,202 | 4,465 | 243,667 |
| Dividends paid | 21 | - | - | - | - | - | - | (2,073) | (2,073) |
| Transfers from/(to) accumulated funds | 19/20 | (2,647) | 5,896 | 1,575 | - | (4,824) | - | - | - |
| Disposals | 19/20 | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2020** | | **1,248,644** | **28,615** | **22,818** | **(829)** | **789,822** | **2,089,070** | **73,398** | **2,162,468** |
| | | | | | | | | | |
| **For the year ended 30 June 2019** | | | | | | | | | |
| Balance at 1 July 2018 | 19/20 | 681,428 | 19,656 | 20,209 | (598) | 685,931 | 1,406,626 | 69,312 | 1,475,938 |
| **Total comprehensive revenue and expense for the year** | 19/20 | 383,434 | - | - | (136) | 59,944 | 443,242 | 4,101 | 447,343 |
| Dividends paid | 21 | - | - | - | - | - | - | (1,796) | (1,796) |
| Transfers from/(to) accumulated funds | 19/20 | 5,841 | 3,063 | 1,034 | - | (9,938) | - | (611) | (611) |
| Disposals | 19/20 | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2019** | | **1,070,703** | **22,719** | **21,243** | **(734)** | **735,937** | **1,849,868** | **71,005** | **1,920,874** |

# Statement of Cash Flows

| For the financial year ended 30 June 2020 | Notes | Council 2020 $'000 | Council Budget $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Receipts from customers | | 161,250 | 187,714 | 148,643 | 207,697 | 197,653 |
| Interest received | | 56 | - | 382 | 57 | 404 |
| Dividends received | | 6,248 | 5,404 | 5,391 | 25 | - |
| Payments to suppliers and employees | | (121,623) | (118,564) | (105,156) | (138,159) | (120,457) |
| Finance costs paid | | (3,283) | (8,747) | (4,398) | (5,813) | (7,308) |
| Income tax paid | | - | - | - | (5,660) | (8,152) |
| Net GST (payment) /receipt | | 330 | - | (735) | 330 | (735) |
| **Net cash inflow/(outflow) from operating activities** | **28 (c)** | **42,978** | **65,807** | **44,127** | **58,477** | **61,405** |
| **Cash flows from investing activities** | | | | | | |
| Purchase of investments | | (160) | - | (13,998) | (160) | (13,998) |
| Sale of investments | | - | - | 9,820 | - | 9,820 |
| Sale of development property | | - | 3,000 | - | - | - |
| Purchase of property, plant and equipment | | (66,245) | (163,431) | (47,521) | (81,174) | (68,670) |
| Purchase of investment property | | (92) | - | (11) | (92) | (11) |
| Purchase of intangible assets | | (3,839) | - | (2,403) | (4,358) | (3,425) |
| Proceeds from sale of property, plant and equipment | | 201 | - | 2 | 201 | 2 |
| **Net cash inflow/(outflow) from investing activities** | | **(70,135)** | **(160,431)** | **(54,111)** | **(85,583)** | **(76,282)** |
| **Cash flows from financing activities** | | | | | | |
| Proceeds from borrowings | | 13,796 | 141,886 | 61,035 | 20,096 | 66,735 |
| Repayment of borrowings | | (892) | (47,000) | (40,203) | (892) | (40,203) |
| Dividends paid | | - | - | - | (2,072) | (1,795) |
| **Net cash inflow /(outflow) from financing activities** | | **12,904** | **94,886** | **20,832** | **17,132** | **24,737** |
| Net increase/(decrease) in cash and cash equivalents | | (14,252) | 262 | 10,848 | (9,974) | 9,860 |
| Cash and cash equivalents at the beginning of the financial year | | 20,876 | 337 | 10,028 | 21,785 | 11,925 |
| **Cash and cash equivalents at the end of the financial year** | | **6,624** | **599** | **20,876** | **11,811** | **21,785** |
| Represented by: | | | | | | |
| Cash and cash equivalents | | 6,624 | 599 | 20,876 | 11,811 | 21,785 |
| Bank overdraft | | - | - | - | - | - |
| | | **6,624** | **599** | **20,876** | **11,811** | **21,785** |

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

# Notes to the financial statements

## 1. STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

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

The Council Group (“Group”) consists of the Council, its wholly owned subsidiaries Queenstown Events Centre Trust (“QEC” (dormant)) and the 75.01% owned Queenstown Airport Corporation Limited (“QAC”).

The Council has controlling interests in Queenstown Events Centre Trust (100% - dormant) and Queenstown Airport Corporation Limited (75.01%). Pursuant to the Local Government Act 2002, these controlled entities are council controlled organisations (“CCOs”).

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

The financial statements of the Council and Group are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on 29 October 2020.

### BASIS OF PREPARATION

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

#### Statement of Compliance

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

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

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

**Presentation Currency and Rounding**

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

**Standards Issued and Effective that have been Adopted**

*Employee Benefits*

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

The Council applied this standard in preparing the 30 June 2020 financial statements. There was no effect to the Council and Group reporting from this new standard.

*Accounting for Interest in Other Entities*

In January 2015 the XRB issued PBE 34 – 38 relating to accounting for interests in other entities. These five standards will replace the current requirements in IPSAS6 - Consolidated and Separate Financial Statements; IPSAS 7 – Investments in Associates; and IPSAS 8 – Interest in Joint Ventures. These new standards are effective for annual periods beginning on or after 1 January 2019.

The Council applied this standard in preparing the 30 June 2020 financial statements. There was no effect to the Council and Group reporting from this new standard.

**Standards Issued and not yet Effective that have been Early Adopted**

*Service Performance Reporting*

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

The Council applied this standard in preparing the 30 June 2020 financial statements. There was no effect to the Council and Group reporting from this new standard.

**Standards Issued and not yet Effective and not Early Adopted**

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

*Financial Instruments*

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

**Other Changes in Accounting Policies**

There have been no other changes in accounting policies.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue Recognition**

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

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

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

### (i) Revenue from Non-Exchange Transactions

#### General and Targeted Rates

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

#### User Charges and Other Income – Subsidised

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

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

#### Grants and Subsidies

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

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

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

#### Vested Assets

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

#### Development Contributions

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

### (ii) Revenue from Exchange Transactions

#### User Charges and Other Income – Full Cost Recovery

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

## Interest Revenue

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

## Dividend Revenue

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

## Property Sales

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

## Grant Expenditure

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

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

## Borrowing Costs

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

## Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Financial Performance on a basis representative of the pattern of benefits to be derived from the leased asset.

### *(a) Council and/or Group as Lessor*

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

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

### *(b) Council and/or Group as Lessee*

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

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

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

### *(c) Lease Incentives*

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

## Taxation

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

Council activities are exempt from income tax. The subsidiary Queenstown Airport Corporation is subject to income tax as per below policy.

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

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

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

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

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

## Goods and Services Tax

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

## Cash and Cash Equivalents

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

## Financial Instruments

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

### (i) Financial Assets

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

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

#### Financial Assets at Fair Value Through Surplus or Deficit

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

> Has been acquired principally for the purpose of selling in the near future;

> Is a part of an identified portfolio of financial instruments that the Council and Group manages together and has a recent actual pattern of short-term profit-taking; or

> Is a derivative that is not designated and effective as a hedging instrument.

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

#### Held-to-Maturity Investments

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

#### Available-for-Sale Financial Assets

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

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

#### Loans and Receivables

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

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

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

#### Impairment of Financial Assets

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

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

### (ii) Financial Liabilities

#### Trade and Other Payables

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

#### Borrowings

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

### (iii) Derivative Financial Instruments

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

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

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

### Fair Value Estimation

The fair value of financial instruments traded in active markets (such as listed equities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Council and Group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council and Group use a variety of methods and makes assumptions that are based on market conditions existing as at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held.

### Hedge Accounting

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

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, QAC documents whether the hedging instrument that is used in a hedged relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 16 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in other comprehensive income.

### Cash Flow Hedges

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

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

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

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

### Development Properties

Development properties are stated at the lower of cost or net realisable value. Cost includes planning expenditure and any other expenditure to bring the development property to its present condition.

### Inventories

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

### Properties Held for Sale

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

## Property, Plant and Equipment

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

### *Operational Assets*

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

### *Campground Assets*

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

### *Airport Assets*

- Land
- Buildings
- Runway
- Roading and carparking

### *Infrastructure Assets*

- Infrastructural assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function:
  - Sewer, stormwater, water
  - Roads, bridges and lighting
  - Land under roads

### (i) Cost

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

### (ii) Accounting for Revaluations

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

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

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

### Campground Assets

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

### Sewer, Stormwater, Water

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

### Roads, Bridges and Lighting

Roading assets are stated at valuation which is optimised depreciated replacement cost value as at 30 June 2020 by WSP Opus New Zealand Limited, independent valuers. Acquisitions subsequent to 1 July 2019 are at cost.

### Airport Land, Buildings, Roading, Carparking and Runways

Airport Land, buildings, roading, car parking were independently valued by Seagar & Partners, registered valuers, as at 30 June 2018. The runways, taxiways and aprons were independently valued by Beca Valuations Limited (Beca), registered valuers, as at the same date. The right of use asset and Wanaka assets were independently valued by Jones Lang Lasalle Limited (JLL), registered valuers, as at the same date.

Valuations are completed in accordance with financial reporting and valuation standards. Management reviews the key inputs, assesses valuation movements and holds discussions with the valuers as part of the process. Discussions about the valuation processes and results are held between the Company's management and the Board.

JLL undertook a desktop valuation of the Company's land assets as at 30 June 2020. The desktop valuation was undertaken to assess any potential change to the fair value of the land assets measured at fair value. The results of the desktop valuation concluded that there was no significant change in the fair value of land assets relative to the carry value at 30 June 2020. Accordingly the directors have concluded that no adjustment is required for the land assets as at 30 June 2020.

A comprehensive valuation of land, buildings, roading and car parking will be undertaken as at 30 June 2021 in accordance with the Company's policy.

### (iii) Depreciation

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

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

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

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

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

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

| Infrastructural Assets | Rate (%) | Method |
|---|---:|---:|
| Sewerage | 1.37% - 10% | SL |
| Water supply | 1.42% - 10% | SL |
| Stormwater | 1.55% - 10% | SL |
| Roading | 1.68% - 10% | SL |

| Airport Assets | Rate (%) | Method |
|---|---|---|
| Buildings | 2.5%-33% | DV |
| Airport runways, Taxiways & Aprons | 1%-20% | SL |
| Roading and car parking | 4.8%-50% | DV |

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

**(iv) Disposal**

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the period the asset is derecognised.

## Forestry Assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the Statement of Financial Performance.

The costs to maintain the forestry assets are included in the Statement of Financial Performance.

## Emission Trading Scheme Accounting Policy

New Zealand Units (“NZUs”) allocated as a result of the Council’s participation in the Emissions Trading Scheme (“ETS”) are treated as a prepayment (when purchased in advance) and expensed during the year in the period to which they cover.

Liabilities for surrender of NZUs (or cash) are accrued at the time the forests are harvested, or removed in any other way, in accordance with the terms of the ETS legislation.

Liabilities are accounted for at settlement value, being the cost of any NZUs on hand to meet the obligation plus the fair value of any shortfall in NZUs to meet the obligation.

## Investment Properties

Investment properties are held to earn rentals and/or for capital gains. Property held to meet service delivery objectives or held for strategic purposes is excluded from investment properties and included with property, plant and equipment. The investment properties are measured at fair value at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the Statement of Financial Performance in the period in which they arise.

Investment properties are derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the period the asset is derecognised. Any associated balance in the revaluation reserve is transferred to accumulated funds via equity.

## Finite Life Intangible Assets

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

### Intangible Assets - Software Acquisition and Development

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

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

### Impairment of Non-Financial Cash-Generating Assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease, via other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase, via other comprehensive income.

### Employee Benefits

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

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

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

## Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## Statement of Cash Flows

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

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

Investing activities are those activities relating to the acquisition and disposal of noncurrent assets.

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

## Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its subsidiaries as defined in PBE IPSAS 35 Consolidated Financial Statements. A list of subsidiaries appears in note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to surplus or deficit in the period of acquisition.

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

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

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

Investments in subsidiaries and controlled entities are included in the Council entity at cost less any impairment losses.

Control is determined based on ownership interest.

## Equity

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

## Restricted and Council Created Reserves

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

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

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

The Council's objectives, policies and processes for managing capital are described in note 33.

## Financial Guarantee Contracts

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

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

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

## Budget Figures

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

## Allocation of Overheads

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

## Critical Accounting Estimates and Assumptions

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

### *Infrastructural Assets*

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

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

- Estimating any obsolescence or surplus capacity of an asset;

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

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

### *Provision for Legal Claims against Council*

Council's liability in relation to claims relating to alleged weather-tightness building defects has not been established. It is not possible to determine the outcome of claims at this stage. The loss provision is based on the Council's best estimate of the current knowledge of claims against Council. Refer to note 17 for further information.

## Other Estimates and Assumptions

### *Estimating the Percentage of Completion on Consent Applications*

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

### *Valuation of Airport Assets held by QAC*

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

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

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

## Critical Judgements

Management has exercised the following critical judgements in applying the Council's and Group's accounting policies for the year ended 30 June 2020.

### *Valuation of Vested assets*

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

### *Valuation of Campground Assets*

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

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

### *Valuation of Infrastructure Assets*

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

### *Valuation of Investment Property*

Independent valuations are used to determine the fair value of investment property. The valuations are determined by reference to market based evidence, such as recent sales of properties in the district.

### *Classification of Leasehold Properties*

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

# 2. Surplus from Operations

### (a) Revenue from non-exchange transactions

| | Council | | Group | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue from non-exchange transactions consisted of the following items: | | | | |
| **Rates revenue:** | | | | |
| General rates | 2,449 | 2,727 | 2,444 | 2,722 |
| Targeted rates | 81,114 | 70,717 | 80,628 | 70,241 |
| | **83,563** | **73,444** | **83,072** | **72,963** |
| **Other revenue:** | | | | |
| User charges - subsidised | 5,651 | 5,647 | 5,651 | 5,647 |
| Development contributions | 21,425 | 14,054 | 21,419 | 14,036 |
| Grants and subsidies | 13,797 | 15,880 | 13,797 | 15,880 |
| Vested assets | 53,182 | 36,070 | 53,182 | 36,070 |
| Other revenue | 9,275 | 8,415 | 9,260 | 8,415 |
| | **103,330** | **80,066** | **103,309** | **80,048** |

# 2. Surplus from Operations continued

### (b) Revenue from exchange transactions

| | Council | | Group | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue from exchange transactions consisted of the following items: | | | | |
| **Other revenue:** | | | | |
| User charges - full cost recovery | 26,985 | 31,136 | 32,358 | 37,459 |
| Landing dues | - | - | 24,898 | 29,088 |
| Dividend income | 6,248 | 5,391 | 26 | - |
| Operating lease rental revenue | 1,752 | 2,727 | 17,104 | 16,565 |
| Government grants | - | - | 478 | - |
| Other revenue - full cost recovery | 1,452 | 594 | 1,724 | 728 |
| *Finance Income:* | | | | |
| Bank deposits | 257 | 596 | 258 | 618 |
| Inland Revenue Department | 2 | 11 | 2 | 11 |
| | **36,696** | **40,455** | **76,848** | **84,469** |
| **Other gains/(losses)** | | | | |
| Gain/(loss) on revaluation of investment property | (2,417) | 5,154 | (2,417) | 5,154 |
| Gain/(loss) on disposal of investment property | - | - | - | - |
| Gain/(loss) on revaluation of property, plant and equipment | - | - | - | - |
| Gain/(loss) on disposal of property, plant and equipment | 123 | - | 123 | - |
| Gain/(loss) in fair value of forestry assets | (684) | 687 | (684) | 687 |
| Gain/(loss) in fair value of forestry investment | - | - | - | - |
| Gain/(loss) in fair value of derivative financial instruments classified at fair value through profit or loss | (2,122) | (2,800) | (2,061) | (2,766) |
| | **(5,100)** | **3,041** | **(5,039)** | **3,075** |

## 2. Surplus from Operations continued

| | | Council | | Group | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Notes | $'000 | $'000 | $'000 | $'000 |
| **(c) Employee benefits expense** | | | | | |
| Salaries and wages | | 33,593 | 30,561 | 40,515 | 36,604 |
| | | **33,593** | **30,561** | **40,515** | **36,604** |
| **(d) Depreciation and amortisation expense** | | | | | |
| Depreciation of property, plant and equipment | 10 | 34,392 | 26,883 | 42,918 | 34,763 |
| Amortisation of intangible assets | 12 | 1,159 | 680 | 1,484 | 1,005 |
| | | **35,551** | **27,563** | **44,402** | **35,768** |
| **(e) Finance costs** | | | | | |
| Interest on loans | | 3,753 | 3,951 | 6,386 | 6,894 |
| | | **3,753** | **3,951** | **6,386** | **6,894** |
| **(f) Other expenses** | | | | | |
| Increase/(decrease) in allowance for doubtful debts | | 662 | 277 | 934 | 278 |
| Bad debts written off | | 466 | 290 | 508 | 329 |
| Operating lease rental expenses: | | | | | |
| Minimum lease payments | | 1,720 | 1,485 | 1,720 | 1,485 |
| Legal claims against Council | | 8,038 | 5,099 | 8,038 | 5,099 |
| Operating expenses | | 83,274 | 74,908 | 90,745 | 83,538 |
| | | **94,160** | **82,059** | **101,945** | **90,729** |

## 2. Surplus from Operations continued

| For the financial year ended 30 June 2020 | Council 2020 $'000 | Council 2019 $'000 |
|---|---|---|
| (g) Summary cost of services by group of activity (Council only) | | |
| **(i) Revenue*** | | |
| Local Democracy | 9,118 | 5,430 |
| Community | 23,581 | 16,390 |
| Economy | 3,318 | 10,932 |
| Environment | 7,374 | 8,705 |
| Roading and Parking | 32,673 | 26,913 |
| Water Supply | 13,775 | 11,657 |
| Stormwater | 15,037 | 8,463 |
| Wastewater | 15,931 | 15,694 |
| Regulatory | 10,760 | 11,720 |
| Waste Management | 6,871 | 8,536 |
| Other | 1,588 | (877) |
| Targeted rates | 81,995 | 71,370 |
| General rates | 2,449 | 2,727 |
| Internal rates | (881) | (654) |
| **Total revenue** | **223,589** | **197,006** |
| **(ii) Expenditure*** | | |
| Local Democracy | 9,340 | 3,979 |
| Community | 33,498 | 31,042 |
| Economy | 10,599 | 8,538 |
| Environment | 15,532 | 16,833 |
| Roading and Parking | 26,460 | 23,921 |
| Water Supply | 11,973 | 9,495 |
| Stormwater | 6,061 | 3,212 |
| Wastewater | 18,775 | 14,537 |
| Regulatory | 22,275 | 19,519 |
| Waste Management | 12,956 | 13,385 |
| Other | 469 | 327 |
| Internal rates | (881) | (654) |
| **Total operating expenditure** | **167,057** | **144,134** |

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

| For the financial year ended 30 June 2020 | Council 2020 $'000 | Council 2019 $'000 |
|---|---|---|
| **(iii) Depreciation and amortisation expense** | | |
| Local Democracy | 19 | 19 |
| Community | 4,813 | 4,450 |
| Economy | 8 | 8 |
| Environment | - | - |
| Roading and Parking | 12,333 | 10,940 |
| Water Supply | 5,042 | 3,351 |
| Stormwater | 4,238 | 2,119 |
| Wastewater | 7,280 | 5,367 |
| Regulatory | 47 | 34 |
| Waste Management | 150 | 145 |
| Other | 1,621 | 1,130 |
| **Total depreciation and amortisation expense** | **35,551** | **27,563** |

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

# 3. Income Taxes

### (a) Income tax recognised in surplus or deficit

| | Council | | Group | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Tax expense/(income) comprises:** | | | | |
| **Current tax expense/(credit):** | | | | |
| Current year | - | - | 5,874 | 7,064 |
| Adjustments for prior years | - | - | 6 | 23 |
| | **-** | **-** | **5,880** | **7,087** |
| **Deferred tax expense/(credit):** | | | | |
| Origination and reversal of temporary differences | - | - | (4,057) | (482) |
| Amortisation of tax component of derivatives | - | - | (91) | (124) |
| Adjustments for prior years | - | - | 4 | 7 |
| | **-** | **-** | **(4,144)** | **(599)** |
| **Total tax expense/(income)** | **-** | **-** | **1,735** | **6,488** |

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

| | | | | |
|---|---|---|---|---|
| Surplus /(deficit) before income tax | 51,432 | 52,872 | 64,942 | 70,560 |
| Income tax expense calculated at 28% | 14,401 | 14,804 | 18,184 | 19,757 |
| Non assessable income and expenses | (14,401) | (14,804) | (12,563) | (13,125) |
| Reversal of temporary difference | - | - | (3,795) | (20) |
| Amortisation of tax component of derivatives | - | - | (91) | (124) |
| **Income tax expense/(credit)** | **-** | **-** | **1,735** | **6,488** |

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2019: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand law.

# 3. Income Taxes continued

### (b) Income tax recognised directly in other comprehensive income

Deferred tax of $141,000 has been charged directly to other comprehensive income during the period, relating to the fair value movement in the interest rate swaps and foreign exchange forward contracts (2019: $194,000).

### (c) Current tax assets and liabilities

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current tax payable:** | | | | |
| Current tax payable | - | - | 3,359 | 3,370 |

### (d) Deferred tax balances comprise

Taxable and deductible temporary differences arising from the following:

| | Group | | | |
|---|---|---|---|---|
| | Opening balance | Charged to income | Charged to other comprehensive income | Closing balance |
| **2020** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Gross deferred tax asset/(liability):** | | | | |
| Property, plant and equipment | (14,423) | 4,514 | - | (9,909) |
| Intangible assets | (350) | (37) | - | (387) |
| Employee entitlements | 133 | 37 | - | 170 |
| Derivatives | 232 | - | 141 | 373 |
| Trade and other payables | (253) | - | - | (253) |
| Trade and other receivables | (13) | (461) | | (474) |
| **Gross deferred tax asset/(liability)** | **(14,674)** | **4,053** | **141** | **(10,480)** |

| | Group | | | |
|---|---|---|---|---|
| | Opening balance | Charged to income | Charged to other comprehensive income | Closing balance |
| **2019** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Gross deferred tax asset/(liability):** | | | | |
| Property, plant and equipment | (14,889) | 466 | - | (14,423) |
| Intangible assets | (441) | 91 | - | (350) |
| Employee entitlements | 125 | 8 | - | 133 |
| Derivatives | 38 | - | 194 | 232 |
| Trade and other payables | (176) | (77) | - | (253) |
| Trade and other receivables | - | (13) | - | (13) |
| **Gross deferred tax asset/(liability)** | **(15,343)** | **475** | **194** | **(14,674)** |

Due to the change in legislation, to allow depreciation on buildings to be a deductible expense for tax purposes, QAC has recognised a deferred tax asset of approximately $3.0 million at 30 June 2020. This has reduced the income tax expense and the deferred tax liability in FY20.

# 3. Income Taxes continued

### (e) Imputation Credit Account Balances

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Balance at beginning of year | 589 | 589 | 23,094 | 18,809 |
| Taxation paid | - | - | 5,660 | 7,080 |
| Imputation credits on dividends paid | - | - | (3,226) | (2,795) |
| Refund of tax | - | - | - | - |
| Prior year adjustment | - | - | - | - |
| **Balance at end of year** | **589** | **589** | **25,528** | **23,094** |
| Imputation credits available directly and indirectly to Council through: | | | | |
| Council | 589 | 589 | 589 | 589 |
| Subsidiaries | - | - | 24,939 | 22,505 |
| | **589** | **589** | **25,528** | **23,094** |

## 4. Key Management Personnel Compensation

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| *Councillors* | | | | |
| Remuneration | 589 | 552 | 589 | 552 |
| Full-time equivalent members | 15 | 15 | 15 | 15 |
| *Senior Management Team, including Chief Executive* | | | | |
| Remuneration | 1,522 | 1,470 | 3,038 | 3,140 |
| Full-time equivalent members | 6 | 6 | 11 | 12 |
| Directors' fees | - | - | 251 | 271 |
| | **2,111** | **2,022** | **3,878** | **3,963** |

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

## 5. Remuneration of Auditors

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Audit fees for financial statement audit | 200 | 186 | 268 | 251 |
| Audit of long term plan | - | 20 | - | 20 |
| Audit fees for assurance and related services | 7 | 7 | 33 | 33 |
| Fees for other services | - | - | - | 12 |
| | **207** | **213** | **301** | **316** |

The auditor of Queenstown Lakes District Council and Queenstown Airport Corporation is M Hawken, for Deloitte Limited, on behalf of the Controller and Auditor-General.

# 6. Trade and Other Receivables

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| **From non-exchange transactions** | | | | |
| Trade receivables (i) | 2,333 | 1,559 | 2,333 | 1,559 |
| Infringement receivables (i) | 2,145 | 2,257 | 2,145 | 2,257 |
| Rates receivables (i) | 6,443 | 3,540 | 6,443 | 3,540 |
| New Zealand Transport Agency | 1,838 | 1,651 | 1,838 | 1,651 |
| Other (i) | 116 | 302 | 116 | 302 |
| Allowance for doubtful debts (ii) | (1,925) | (1,781) | (1,925) | (1,781) |
| | **10,950** | **7,528** | **10,950** | **7,528** |
| **From exchange transactions** | | | | |
| Trade receivables (i) | 7,671 | 6,226 | 10,905 | 10,130 |
| Other (i) | 4,549 | 5,873 | 4,549 | 5,873 |
| Allowance for doubtful debts (ii) | (829) | (311) | (1,148) | (358) |
| | **11,391** | **11,788** | **14,306** | **15,645** |
| | **22,341** | **19,316** | **25,256** | **23,173** |

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

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

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

| **Trade and other receivables (excluding rates)** | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Current (0-30 days) | 11,276 | 13,828 | 13,868 | 16,535 |
| 31-60 days * | 1,570 | 464 | 1,691 | 1,529 |
| 61-90 days * | 701 | 323 | 707 | 398 |
| 90 days + * | 2,380 | 1,161 | 2,576 | 1,190 |
| | **15,927** | **15,776** | **18,842** | **19,652** |
| **Rates receivables** | | | | |
| Current (0-30 days) (iii) | 3,028 | 1,366 | 3,028 | 1,366 |
| 31 days - 1 year * | 2,063 | 1,059 | 2,063 | 1,059 |
| 1 year + * | 1,323 | 1,115 | 1,323 | 1,115 |
| | **6,414** | **3,540** | **6,414** | **3,540** |
| **Total receivables** | **22,341** | **19,316** | **25,256** | **23,192** |

* Amounts are considered past due.

(iii) The rates quarter 4 instalment due date was extended from 29 May to 31 July 2020 as a Covid-19 relief response

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Disclosed in the financial statements as: | | | | |
| Current | | | | |
| Exchange transactions | 11,391 | 11,788 | 13,499 | 15,645 |
| Non-exchange transactions | 10,950 | 7,528 | 10,950 | 7,528 |
| Non-current | | | | |
| Exchange transactions | - | - | 807 | - |
| | **22,341** | **19,316** | **25,256** | **23,173** |
| (iii) | | | | |
| Movement in the allowance for doubtful debts: | | | | |
| Balance at beginning of year | (2,092) | (1,886) | (2,139) | (1,932) |
| Amounts written off during year | 466 | 460 | 508 | 460 |
| Amounts recovered during year | - | - | - | - |
| Additional allowance recognised in Statement of Financial Performance | (1,128) | (666) | (1,442) | (667) |
| **Balance at end of year** | **(2,754)** | **(2,092)** | **(3,073)** | **(2,139)** |

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

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

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

## 7. Other Financial Assets

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Other investments held | 1,569 | 1,408 | 1,569 | 1,408 |
| Advances to community organisations | 459 | 459 | 459 | 459 |
| Term deposits | - | - | - | - |
| Short term investments | 13 | 13 | 13 | 13 |
| | **2,041** | **1,880** | **2,041** | **1,880** |
| Represented by: | | | | |
| Current | 13 | 13 | 13 | 13 |
| Non-current | 2,028 | 1,867 | 2,028 | 1,867 |
| | **2,041** | **1,880** | **2,041** | **1,880** |

## 8. Other Current Assets

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Prepayments | 2,278 | 912 | 2,789 | 1,263 |
| Asset Held for Resale | 1,237 | 1,237 | 1,237 | 1,237 |
| | **3,515** | **2,149** | **4,026** | **2,500** |

## 9. Development Property

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Land | 11,266 | 11,266 | 11,266 | 11,266 |
| | **11,266** | **11,266** | **11,266** | **11,266** |
| | | | | |
| **Balance at end of year** | **11,266** | **11,266** | **11,266** | **11,266** |

The Council owned Lakeview site is being developed for future sale and lease arrangements following the decision to enter into a development agreement for the site. The development process is underway with further land parcels expected to be transferred from investment property to development property within the next two years.

## 10. Property, Plant and Equipment

Council 2020

| | Cost/ valuation 1-Jul-19 $'000s | Additions $'000s | Revaluations $'000s | Cost/ valuation 30-Jun-20 $'000s | Accumulated depreciation and impairment charges 1-Jul-19 $'000s | Accumulated depreciation and impairment charges reversed on revaluation $'000s | Depreciation expense $'000s | Accumulated depreciation reversed on disposal $'000s | Adjust Accumulated depreciation and impairment charges $'000s | Accumulated depreciation and impairment charges 30-Jun-19 $'000s | Carrying amount 30-Jun-20 $'000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operational assets** | | | | | | | | | | | |
| **At cost** | | | | | | | | | | | |
| Land (i) | 84,701 | 17,629 | - | 102,330 | - | - | - | - | - | - | 102,330 |
| Buildings | 87,519 | 9,960 | - | 97,421 | (17,392) | - | (2,030) | 58 | (500) | (19,864) | 77,557 |
| Building improvements | 48,486 | 3,261 | - | 51,747 | (24,267) | - | (2,306) | - | - | (26,573) | 25,174 |
| Plant and machinery | 12,375 | 565 | - | 12,940 | (7,209) | - | (807) | - | - | (8,016) | 4,924 |
| Motor vehicles | 297 | 12 | - | 289 | (230) | - | (13) | 18 | - | (225) | 64 |
| Furniture and office equipment | 7,287 | 346 | - | 7,633 | (4,783) | - | (365) | - | - | (5,148) | 2,485 |
| Computer equipment | 4,109 | 420 | - | 4,529 | (3,454) | - | (273) | - | - | (3,727) | 802 |
| Library books | 4,643 | 352 | - | 4,995 | (4,092) | - | (55) | - | - | (4,147) | 848 |
| **Total operational assets** | **249,417** | **32,545** | **-** | **281,884** | **(61,427)** | **-** | **(5,849)** | **76** | **(500)** | **(67,700)** | **214,184** |
| **Campground assets** | | | | | | | | | | | |
| **At fair value** | | | | | | | | | | | |
| Land (vi) | 35,925 | - | (3,925) | 32,000 | - | - | - | - | - | - | 32,000 |
| Buildings (vi) | 11,575 | - | 25 | 11,600 | - | - | - | - | - | - | 11,600 |
| **Total campground assets** | **47,500** | **-** | **(3,900)** | **43,600** | **-** | **-** | **-** | **-** | **-** | **-** | **43,600** |
| **Airport assets** | | | | | | | | | | | |
| **At fair value** | | | | | | | | | | | |
| Land (i) | 5,250 | - | - | 5,250 | - | - | - | - | - | - | 5,250 |
| Airport runway (i) | 6,685 | - | - | 6,685 | - | - | - | - | - | - | 6,685 |
| | **11,935** | **-** | **-** | **11,935** | **-** | **-** | **-** | **-** | **-** | **-** | **11,935** |
| **Infrastructural assets** | | | | | | | | | | | |
| **At fair value** | | | | | | | | | | | |
| Water supply (ii) | 242,613 | 20,983 | - | 263,596 | (15) | - | (5,042) | - | - | (5,057) | 258,539 |
| Sewerage (ii) | 333,026 | 21,530 | - | 354,556 | (45) | - | (7,280) | - | - | (7,325) | 347,231 |
| Stormwater (ii) | 260,600 | 17,923 | - | 278,523 | (3) | - | (4,238) | - | - | (4,241) | 274,282 |
| Roading (iii) | 600,924 | 23,778 | 172,480 | 797,182 | (32) | 12,009 | (11,983) | - | 3 | (3) | 797,179 |
| **Total infrastructural assets** | **1,437,163** | **84,214** | **172,480** | **1,693,857** | **(95)** | **12,009** | **(28,543)** | **-** | **3** | **(16,626)** | **1,677,231** |
| **Total Council property, plant and equipment** | **1,746,015** | **116,759** | **168,580** | **2,031,276** | **(61,522)** | **12,009** | **(34,392)** | **76** | **(497)** | **(84,326)** | **1,946,950** |

(i), (ii), (iii), (vi) refer to explanatory notes on page 164.

## 10. Property, Plant and Equipment

Group 2020

| | Cost/ valuation 1-Jul-19 $'000s | Additions $'000s | Disposals/ write offs | Revaluation | Cost/ valuation 30-Jun-20 $'000s | Accumulated depreciation and impairment charges 1-Jul-19 $'000s | Accumulated depreciation and impairment charges reversed $'000s | Adjust Accumulated depreciation and impairment charges $'000s | Depreciation expense $'000s | Accumulated depreciation reversed on disposal $'000s | Accumulated depreciation and impairment charges 30-Jun-20 $'000s | Carrying amount 30-Jun-20 $'000s |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operational sssets** | | | | | | | | | | | | |
| **At cost** | | | | | | | | | | | | |
| Land (i) | 84,701 | 17,629 | - | - | 102,330 | - | - | - | - | - | - | 102,330 |
| Buildings | 87,519 | 9,960 | (58) | - | 97,421 | (17,392) | - | (500) | (2,030) | 58 | (19,864) | 77,557 |
| Building improvements | 48,486 | 3,261 | - | - | 51,747 | (24,267) | - | - | (2,306) | - | (26,573) | 25,174 |
| Plant and machinery | 53,608 | 4,119 | - | - | 57,727 | (20,317) | - | - | (3,763) | - | (24,080) | 33,647 |
| Motor vehicles | 297 | 12 | (20) | - | 289 | (230) | - | - | (13) | 18 | (225) | 64 |
| Furniture and office equipment | 7,287 | 346 | - | - | 7,633 | (4,783) | - | - | (365) | - | (5,148) | 2,485 |
| Computer equipment | 4,109 | 420 | - | - | 4,529 | (3,454) | - | - | (273) | - | (3,727) | 802 |
| Library books | 4,644 | 352 | - | - | 4,996 | (4,093) | - | - | (55) | - | (4,148) | 848 |
| **Total operational assets** | **290,651** | **36,099** | **(78)** | **-** | **326,672** | **(74,536)** | **-** | **(500)** | **(8,805)** | **76** | **(83,765)** | **242,907** |
| **Campground assets** | | | | | | | | | | | | |
| **At fair value** | | | | | | | | | | | | |
| Land (vi) | 35,925 | - | - | (3,925) | 32,000 | - | - | - | - | - | - | 32,000 |
| Buildings (vi) | 11,575 | - | - | 25 | 11,600 | - | - | - | - | - | - | 11,600 |
| **Total campground assets** | **47,500** | **-** | **-** | **(3,900)** | **43,600** | **-** | **-** | **-** | **-** | **-** | **-** | **43,600** |
| **Airport assets** | | | | | | | | | | | | |
| **At fair value** | | | | | | | | | | | | |
| Land (i), (iv) | 215,654 | 20,635 | - | - | 236,289 | - | - | - | - | - | - | 236,289 |
| Land improvements (iv) | 125 | - | - | - | 125 | (125) | - | - | - | - | (125) | - |
| Buildings (iv), (v) | 63,720 | 4,769 | - | - | 68,489 | (5,532) | - | - | (2,909) | - | (8,441) | 60,048 |
| Airport runways,Taxiways & Aprons (i), (iv) | 64,378 | 3,433 | - | - | 67,811 | (4,067) | - | - | (2,661) | - | (6,728) | 61,083 |
| Roading and carparking (iv), (v) | 1,112 | - | - | - | 1,112 | (1,112) | - | - | - | - | (1,112) | - |
| **Total airport assets** | **344,989** | **28,837** | | - | **373,826** | **(10,836)** | - | - | (5,570) | **-** | **(16,406)** | **357,420** |
| **Infrastructural assets** | | | | | | | | | | | | |
| **At fair value** | | | | | | | | | | | | |
| Water supply (ii) | 242,613 | 20,983 | - | - | 263,596 | (14) | - | - | (5,042) | - | (5,056) | 258,540 |
| Sewerage (ii) | 333,028 | 21,530 | - | - | 354,558 | (45) | - | - | (7,280) | - | (7,325) | 347,233 |
| Stormwater (ii) | 260,599 | 17,923 | - | - | 278,522 | (3) | - | - | (4,238) | - | (4,241) | 274,281 |
| Roading (iii) | 600,923 | 23,778 | - | 172,480 | 797,181 | (32) | 12,009 | 3 | (11,983) | - | (3) | 797,178 |
| **Total infrastructural assets** | **1,437,163** | **84,214** | **-** | **172,480** | **1,693,857** | **(94)** | **12,009** | **3** | **(28,543)** | **-** | **(16,625)** | **1,677,232** |
| **Total property, plant and equipment** | **2,120,303** | **149,150** | **(78)** | **168,580** | **2,437,955** | **(85,466)** | **12,009** | **(497)** | **(42,918)** | **76** | **(116,796)** | **2,321,158** |

(i), (ii), (iii), (iv), (v), (vi) refer to explanatory notes on page 164.

## 10. Property, Plant and Equipment

| | Council 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cost/ valuation 1-Jul-18 $'000s | Additions $'000s | Revaluations $'000s | Cost/ valuation 30-Jun-19 $'000s | Accumulated depreciation and impairment charges 1-Jul-18 $'000s | Accumulated depreciation and impairment charges reversed on revaluation | Depreciation expense $'000s | Accumulated depreciation and impairment charges 30-Jun-19 $'000s | Carrying amount 30-Jun-19 $'000s |
| **Operational assets** | | | | | | | | | |
| **At cost** | | | | | | | | | |
| Land (i) | 81,806 | 2,895 | - | 84,701 | - | - | - | - | 84,701 |
| Buildings | 80,868 | 6,651 | - | 87,519 | (15,500) | - | (1,892) | (17,392) | 70,127 |
| Building improvements | 39,441 | 9,045 | - | 48,486 | (22,249) | - | (2,018) | (24,267) | 24,219 |
| Plant and machinery | 11,481 | 894 | - | 12,375 | (6,420) | - | (789) | (7,209) | 5,166 |
| Motor vehicles | 285 | 12 | - | 297 | (220) | - | (10) | (230) | 67 |
| Furniture and office equipment | 5,990 | 1,297 | - | 7,287 | (4,502) | - | (281) | (4,783) | 2,504 |
| Computer equipment | 3,864 | 245 | - | 4,109 | (3,169) | - | (285) | (3,454) | 655 |
| Library books | 4,315 | 328 | - | 4,643 | (4,067) | - | (25) | (4,092) | 551 |
| **Total operational assets** | **228,050** | **21,367** | **-** | **249,417** | **(56,127)** | **-** | **(5,300)** | **(61,427)** | **187,990** |
| | | | | | | | | | |
| **Campground assets** | | | | | | | | | |
| **At fair value** | | | | | | | | | |
| Land (vi) | 34,700 | - | 1,225 | 35,925 | - | - | - | - | 35,925 |
| Buildings (vi) | 8,450 | - | 3,125 | 11,575 | - | - | - | - | 11,575 |
| **Total campground assets** | **43,150** | **-** | **4,350** | **47,500** | **-** | **-** | **-** | **-** | **47,500** |
| | | | | | | | | | |
| **Airport assets** | | | | | | | | | |
| **At fair value** | | | | | | | | | |
| Land (i) | 5,250 | - | - | 5,250 | - | - | - | - | 5,250 |
| Airport runway (i) | 6,685 | - | - | 6,685 | - | - | - | - | 6,685 |
| | **11,935** | **-** | **-** | **11,935** | **-** | **-** | **-** | **-** | **11,935** |
| | | | | | | | | | |
| **Infrastructural assets** | | | | | | | | | |
| **At fair value** | | | | | | | | | |
| Water supply (ii) | 160,943 | 18,755 | 62,915 | 242,613 | (5,944) | 9,280 | (3,351) | (15) | 242,598 |
| Sewerage (ii) | 210,399 | 21,792 | 100,835 | 333,026 | (8,664) | 13,990 | (5,371) | (45) | 332,981 |
| Stormwater (ii) | 135,113 | 13,394 | 112,093 | 260,600 | (3,822) | 5,937 | (2,118) | (3) | 260,597 |
| Roading (iii) | 534,810 | 19,896 | 46,218 | 600,924 | (18,198) | 28,909 | (10,743) | (32) | 600,892 |
| **Total infrastructural assets** | **1,041,265** | **73,837** | **322,061** | **1,437,163** | **(36,628)** | **58,116** | **(21,583)** | **(95)** | **1,437,068** |
| **Total Council property, plant and equipment** | **1,324,400** | **95,204** | **326,411** | **1,746,015** | **(92,755)** | **58,116** | **(26,883)** | **(61,522)** | **1,684,493** |

(i), (ii), (iii), (vi) refer to explanatory notes on page 164.

## 10. Property, Plant and Equipment

| | Group 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost/ valuation 1-Jul-18 $'000s | Additions $'000s | Transfers | Revaluation | Cost/ valuation 30-Jun-19 $'000s | Accumulated depreciation and impairment charges 1-Jul-18 $'000s | Accumulated depreciation and impairment charges reversed | Depreciation expense $'000s | Accumulated depreciation and impairment charges 30-Jun-19 $'000s | Carrying amount 30-Jun-19 $'000s |
| **Operational sssets** | | | | | | | | | | |
| **At cost** | | | | | | | | | | |
| Land (i) | 81,806 | 2,895 | - | - | 84,701 | - | - | - | - | 84,701 |
| Buildings | 80,868 | 6,651 | - | - | 87,519 | (15,500) | - | (1,892) | (17,392) | 70,127 |
| Building improvements | 39,441 | 9,045 | - | - | 48,486 | (22,249) | - | (2,018) | (24,267) | 24,219 |
| Plant and machinery | 21,928 | 4,265 | 27,415 | - | 53,608 | (11,786) | (4,886) | (3,645) | (20,317) | 33,291 |
| Motor vehicles | 4,167 | 12 | (3,882) | - | 297 | (1,995) | 1,775 | (10) | (230) | 67 |
| Furniture and office equipment | 11,697 | 1,297 | (5,707) | - | 7,287 | (7,613) | 3,111 | (281) | (4,783) | 2,504 |
| Computer equipment | 3,864 | 245 | - | - | 4,109 | (3,169) | - | (285) | (3,454) | 655 |
| Library books | 4,316 | 328 | - | - | 4,644 | (4,068) | - | (25) | (4,093) | 551 |
| **Total operational assets** | **248,087** | **24,738** | **17,826** | **-** | **290,651** | **(66,380)** | **-** | **(8,156)** | **(74,536)** | **216,115** |
| **Campground assets** | | | | | | | | | | |
| **At fair value** | | | | | | | | | | |
| Land (vi) | 34,700 | - | - | 1,225 | 35,925 | - | - | - | - | 35,925 |
| Buildings (vi) | 8,450 | - | - | 3,125 | 11,575 | - | - | - | - | 11,575 |
| **Total campground assets** | **43,150** | **-** | **-** | **4,350** | **47,500** | **-** | **-** | **-** | **-** | **47,500** |
| **Airport assets** | | | | | | | | | | |
| **At fair value** | | | | | | | | | | |
| Land (i), (iv) | 212,245 | 3,409 | - | - | 215,654 | - | - | - | - | 215,654 |
| Land improvements (iv) | 10,838 | - | (10,713) | - | 125 | (125) | - | - | (125) | - |
| Buildings (iv), (v) | 54,694 | 8,905 | 121 | - | 63,720 | (2,772) | - | (2,760) | (5,532) | 58,188 |
| Airport runways,Taxiways & Aprons (i), (iv) | 46,911 | 6,876 | 10,591 | - | 64,378 | (1,802) | - | (2,265) | (4,067) | 60,311 |
| Roading and carparking (iv), (v) | 18,937 | - | (17,825) | - | 1,112 | (1,112) | - | - | (1,112) | - |
| **Total airport assets** | **343,625** | **19,190** | **(17,826)** | **-** | **344,989** | **(5,811)** | **-** | **(5,025)** | **(10,836)** | **334,153** |
| **Infrastructural assets** | | | | | | | | | | |
| **At fair value** | | | | | | | | | | |
| Water supply (ii) | 160,943 | 18,755 | - | 62,915 | 242,613 | (5,944) | 9,280 | (3,350) | (14) | 242,599 |
| Sewerage (ii) | 210,401 | 21,792 | - | 100,835 | 333,028 | (8,664) | 13,990 | (5,371) | (45) | 332,983 |
| Stormwater (ii) | 135,112 | 13,394 | - | 112,093 | 260,599 | (3,822) | 5,937 | (2,118) | (3) | 260,596 |
| Roading (iii) | 534,809 | 19,896 | - | 46,218 | 600,923 | (18,198) | 28,909 | (10,743) | (32) | 600,891 |
| **Total infrastructural assets** | **1,041,265** | **73,837** | **-** | **322,061** | **1,437,163** | **(36,628)** | **58,116** | **(21,582)** | **(94)** | **1,437,069** |
| **Total property, plant and equipment** | **1,676,127** | **117,765** | **-** | **326,411** | **2,120,303** | **(108,819)** | **58,116** | **(34,763)** | **(85,466)** | **2,034,837** |

(i), (ii), (iii), (iv), (v), (vi) refer to explanatory notes on page 164.

## 10. Property, Plant and Equipment continued

### Explanatory notes

(i) Wanaka airport land, including the runway, was leased to QAC by QLDC from 1 April 2018. These assets were reclassified from land at cost to airport assets at fair value and were revalued as at 30 June 2018 as set out below. The valuation was performed by Jones Lang LaSalle.

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

(iii) Roading assets are stated at valuation which is optimised depreciated replacement cost value as at 30 June 2020 by WSP Opus New Zealand Limited, independent valuers. Acquisitions subsequent to 1 July 2019 are at cost.

(iv) Airport assets held by QAC were revalued as at 30 June 2018 as set out below. The runways, taxiways and aprons were independently valued by Beca Valuations Limited. Land, buildings, roading and carparking asses were valued by Seagar and Partners.

(v) Wanaka airport buildings owned by QAC were revalued as at 30 June 2018 as set out below. The valuation was performed by Jones Lang LaSalle.

(vi) Campground assets are strategic assets and have been reclassified from Investment Property as at 1 July 2016 and are stated at fair value using the income capitalisation approach. The valuation was performed by Quotable Value Limited and were revalued as at 30 June 2020.

**Methods and significant assumptions from roading valuation**
This valuation process employs the RAMM Valuation Module and compares the quantum and value outcome with the valuation undertaken for the period ending 30 June 2019, that included capital additions and deletions. This valuation provides an updated total network replacement cost (RC), an updated depreciated replacement cost (DRC) and the current annual depreciation (AD) but excludes any 2019/20 capital additions and deletions and also excludes vested assets for 2019/20. The RAMM valuation system is in accordance with generally accepted accounting and valuation practices.
Prior to and part of the 2019/20 valuation, the unit rates and overheads were reviewed using recent construction schedules and forecast New Zealand Transport Agency forecast adjustment factors. Current market rates from QLDC tendered work were compared to South Island Councils to ensure they were reasonable. This reflected an increase in overheads from a range of 11-12% to 20-30%, following the assessment of recent works, the overhead factor was set at 22% for the valuation.

| Asset | Valuation Approach |
|---|---|
| Terminal and fire rescue buildings | Optimised depreciated replacement cost |
| Runways, taxiways and aprons | Optimised depreciated replacement cost |
| Land, roading and carparking | Market value |
| Ground leases and commercial buildings | Market value |

### Assets under construction

| *The following asset classes include expenditure for assets in the course of construction at 30 June:* | Council | | Group | |
|---|---|---|---|---|
| | **2020 $'000** | **2019 $'000** | **2020 $'000** | **2019 $'000** |
| Land | 304 | 1,408 | 304 | 6,373 |
| Buildings | 7,260 | 7,375 | 8,197 | 15,557 |
| Building Improvements | 2,804 | 1,799 | 2,804 | 1,799 |
| Plant and equipment | 51 | 97 | 2,097 | 2,211 |
| Computer equipment | - | - | - | - |
| Furniture and office equipment | - | - | - | - |
| Library books | 84 | 24 | 84 | 24 |
| Airport runway | - | - | 73 | 517 |
| Water supply | 18,337 | 9,482 | 18,337 | 9,482 |
| Sewerage | 17,363 | 9,741 | 17,363 | 9,741 |
| Stormwater | 1,777 | 5,567 | 1,777 | 5,567 |
| Roading & carparking | 13,041 | 8,800 | 13,041 | 8,800 |
| Foreshore Structures | 162 | 162 | 162 | 162 |
| | **61,183** | **44,455** | **64,239** | **60,233** |

## 11. Forestry Assets

| | Council | | Group | |
|---|---|---|---|---|
| | **2020 $'000** | **2019 $'000** | **2020 $'000** | **2019 $'000** |
| Balance at beginning of year | 2,151 | - | 2,151 | 2,446 |
| Recognise value of asset on transfer to Council | - | 2,446 | - | - |
| Movement from harvesting | (394) | - | (394) | - |
| Gains/(losses) arising from changes in fair value less estimated point of sales costs | (290) | (295) | (290) | (295) |
| **Balance at end of year** | **1,467** | **2,151** | **1,467** | **2,151** |

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

28.1 Ha of forest has been harvested during the period (2019: nil).

Independent registered valuers, Venture Forestry limited, have valued forestry assets at $1,466,897 (2019: $2,151,000). A pre-tax discount rate of 8.5% has been used in discounting the present value of the expected cash flows.

### Financial risk management strategies

The Group is exposed to financial risks arising from changes in timber prices. The Group has commenced an early harvest of the forest during 2019/20 following consultation with the community. The intention of the early harvest is to manage the impact of wilding pines in the local vicinity.

## 12. Intangible Assets

### Finite life intangible assets

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| **Gross carrying amount** | | | | |
| Balance at beginning of year | 7,943 | 6,167 | 14,458 | 10,998 |
| Additions | 3,855 | 1,776 | 4,375 | 3,460 |
| Transfer to property, plant and equipment | (16) | - | (16) | - |
| Disposals | - | - | - | - |
| **Balance at end of year** | **11,782** | **7,943** | **18,817** | **14,458** |
| **Accumulated amortisation & impairment** | | | | |
| Balance at beginning of year | 5,240 | 4,560 | 7,242 | 6,237 |
| Amortisation expense (i) | 1,159 | 680 | 1,484 | 1,005 |
| Transfer to property, plant and equipment | - | - | - | - |
| Disposals | - | - | - | - |
| **Balance at end of year** | **6,399** | **5,240** | **8,726** | **7,242** |
| **Net book value** | **5,383** | **2,703** | **10,091** | **7,217** |

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

The gross carrying amount of $18,817,000 for the Group comprises:

- The finite life intangible asset of $11,782,000 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 $7,035,000 represents costs incurred by the Queenstown Airport Corporation Limited in relation to district planning processes for extension of noise boundaries and amendments to flight fans. These costs will be amortised on a straight line basis over 6-9 years and 15 years respectively from the date they are completed and ready to use.

## 13. Investment Property

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Balance at beginning of year | 58,325 | 53,162 | 58,325 | 53,162 |
| Additions from subsequent expenditure | 32 | 11 | 32 | 11 |
| Net gain/(loss) from fair value adjustments | (2,357) | 5,152 | (2,357) | 5,152 |
| **Balance at end of year** | **56,000** | **58,325** | **56,000** | **58,325** |

The fair value of the Council's investment property at 30 June 2020 has been arrived at on the basis of a valuation carried out at that date by Mr Greg Simpson (ANZIV/SPINZ), an independent registered valuer from Quotable Value Limited not related to the Group. The fair value of investment property is calculated on the basis of market value. Market value is determined by reference to comparable sales. The valuations include adjustments to observable data for similar properties to take into account property-specific attributes.

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

## 14. Trade and Other Payables

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Trade payables (i) | 14,645 | 14,303 | 14,907 | 15,935 |
| Other accrued charges | 4,645 | 7,808 | 5,625 | 10,387 |
| Deposits and bonds | 5,366 | 5,573 | 5,366 | 5,573 |
| Other (ii) | - | - | 18,400 | - |
| | **24,656** | **27,684** | **44,298** | **31,895** |

(i) The average credit period on purchases is 30 days.
(ii) Relates to Lot 6 payable for QAC

## 15. Borrowings

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| **At amortised cost** | | | | |
| Bank borrowings (secured) (ii), (iii) | - | - | 69,000 | 62,700 |
| Bonds (secured) (iI), (v) | 115,113 | 105,264 | 115,113 | 105,264 |
| Other borrowings (iv) | 3,688 | 1,034 | 3,688 | 1,034 |
| | **118,801** | **106,298** | **187,801** | **168,998** |
| Disclosed in the financial statements as: | | | | |
| Current (i) | 47,682 | 20,136 | 47,682 | 40,136 |
| Non-current | 71,119 | 86,162 | 140,119 | 128,862 |
| | **118,801** | **106,298** | **187,801** | **168,998** |

(i) Short term facilities will be rolled over in the next period.

(ii) Council borrowings are secured through a debenture trust deed over rates, as well as security stock certificates of $229.1m (2019: $211.6m). No bank borrowings were drawn down as at 30 June 2020 (2019: nil).

(iii) Queenstown Airport Corporation Ltd (QAC) loans of $69.0m are secured by a first debenture charge over QAC assets and also a registered first mortgage over all QAC property.

(iv) The Council has 3 interest free loans from the Housing Infrastructure Fund through the Crown which are repayable within 10 years. The fair value of the balance outstanding at 30 June 2020 was $3.69m.

(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 and 15/5/2021 and interest rates of 4.45%, 4.24%, 4.36% and 4.57% respectively.

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

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

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

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

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

During the 2018/19 year there were four bond issues of $10m and one of $20m with maturity dates of 5/2/2019, 8/8/2024, 15/4/2023, 15/4/2024 and 18/10/2019 and interest rates of 2.03%, 2.51%, 1.93%, 2.17%, and 1.88% respectively.

During the 2019/20 year there was one bond issue of $10m with maturity date of 15/4/2025 and interest rate of 1.04% .

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

NZLGFA shareholders consist of the New Zealand Government (20%) and 30 local authority shareholders (80%). The New Zealand Government shareholding is fully paid. The uncalled capital of local authority shareholders is $20m and this is available in the event that an imminent default is identified. Also, together with the shareholders and guarantors, the Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2020, NZLGFA had borrowings totalling $11,908m (2019: $9,531m).

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 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Interest rate swaps (i), (ii) | 7,124 | 5,002 | 8,456 | 5,819 |
| Foreign exchange forward contracts (iii) | - | - | - | 12 |
| | **7,124** | **5,002** | **8,456** | **5,831** |
| | | | | |
| Disclosed in the financial statements as: | | | | |
| Current | 1,248 | - | 1,359 | 252 |
| Non-current | 5,876 | 5,002 | 7,097 | 5,579 |
| | **7,124** | **5,002** | **8,456** | **5,831** |

(i) The Council holds four interest rate swap agreements, one for $15m and three for $10m, which are effective from 16 March 2015, 11 December 2018, 15 March 2019 and 17 May 2021 (2019: four interest rate swap agreements, one for $15m and three for $10m, which are effective from 16 March 2015, 11 December 2013, 11 December 2018 and 15 March 2019). The interest rate is fixed at 4.355%, 3.595%, 3.1875% and 2.584% respectively (2019: 4.355%, 3.955%, 2.584% and 3.1875% respectively).

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

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

(iii) The notional principal amounts of outstanding forward foreign exchange contracts held by QAC were nil (2019: $12k)

## 17. Other Liabilities

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Income in advance (i) | 16,461 | 15,069 | 5,415 | 3,910 |
| Rates in advance | 528 | 576 | 528 | 576 |
| Other provisions (ii) | 16,700 | 10,100 | 16,700 | 10,100 |
| Other liabilities | - | - | - | - |
| | **33,689** | **25,745** | **22,643** | **14,586** |
| | | | | |
| Disclosed in the financial statements as: | | | | |
| Current | 22,756 | 14,699 | 22,643 | 14,586 |
| Non-current | 10,933 | 11,046 | - | - |
| | **33,689** | **25,745** | **22,643** | **14,586** |

(i) Income in advance consists of lease income in advance (including Wanaka Airport prepaid lease by QAC), grants in advance and initial fees received for resource and building consents representing amounts for services yet to be completed.

(ii) This represents estimated losses for claims against Council. Council has been joined as a party in these claims, which relate to alleged weathertightness building defects. Claims are dealt with on a case by case basis. Council's liability in relation to these claims has not been established and it is not possible to determine the outcome of the claims at this stage. A loss provision has been recognised based on current knowledge of claims. Note that any claims received subsequent to 30 June 2009 are not covered by insurance. Other claims covered by insurance are subject to a cap as to the level of cover provided.

## 18. Employee Entitlements

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Accrued salary and wages | 913 | 630 | 1,319 | 1,318 |
| Annual leave | 1,760 | 1,165 | 2,357 | 1,641 |
| | **2,673** | **1,795** | **3,676** | **2,959** |
| | | | | |
| Disclosed in the financial statements as: | | | | |
| Current | 2,673 | 1,795 | 3,676 | 2,959 |
| | **2,673** | **1,795** | **3,676** | **2,959** |

# 19. Reserves

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Revaluation reserve (a) | 1,095,290 | 917,349 | 1,248,644 | 1,070,703 |
| Operating reserves (b) | 28,615 | 22,719 | 28,615 | 22,719 |
| Capital reserves (c) | 22,818 | 21,243 | 22,818 | 21,243 |
| Cash flow hedge reserve (d) | - | - | (829) | (734) |
| | **1,146,723** | **961,311** | **1,299,248** | **1,113,931** |

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

### (a) Revaluation reserve

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Balance at beginning of year | 917,349 | 527,060 | 1,070,703 | 681,428 |
| Revaluation of roading assets | 184,488 | 75,124 | 184,488 | 75,124 |
| Revaluation of sewerage assets | - | 114,821 | - | 114,821 |
| Revaluation of water supply assets | - | 72,197 | - | 72,197 |
| Revaluation of stormwater assets | - | 118,029 | - | 118,029 |
| Revaluation of campground assets | (3,900) | 4,277 | (3,900) | 4,277 |
| Revaluation of airport assets, net of deferred tax | - | - | - | (1,014) |
| Transferred from/(to) accumulated surplus: | | | | |
| Revaluation of forestry assets | (290) | 687 | (290) | 687 |
| Revaluation of investment property | (2,357) | 5,154 | (2,357) | 5,154 |
| Disposal of investment property | - | - | - | - |
| **Balance at end of year** | **1,095,290** | **917,349** | **1,248,644** | **1,070,703** |

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

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Individual reserve balances are as follows: | | | | |
| Investment property | 69,624 | 71,981 | 69,624 | 71,981 |
| Campground assets | 32,203 | 36,103 | 32,203 | 36,103 |
| Forestry Assets | 397 | 687 | 397 | 687 |
| Roading | 417,753 | 233,264 | 417,753 | 233,264 |
| Sewerage | 202,144 | 202,144 | 202,144 | 202,144 |
| Water supply | 157,584 | 157,584 | 157,584 | 157,584 |
| Stormwater | 205,395 | 205,396 | 205,395 | 205,396 |
| Airport assets | 10,190 | 10,190 | 163,544 | 163,544 |
| | **1,095,290** | **917,349** | **1,248,644** | **1,070,703** |

### (b) Operating reserves

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Balance at beginning of year | 22,719 | 19,656 | 22,719 | 19,656 |
| Transferred from/(to) accumulated surplus: | | | | |
| Contributions | 21,425 | 14,060 | 21,425 | 14,060 |
| Disbursements | (15,529) | (10,997) | (15,529) | (10,997) |
| **Balance at end of year** | **28,615** | **22,719** | **28,615** | **22,719** |

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 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Balance at beginning of year | 21,243 | 20,209 | 21,243 | 20,209 |
| Transferred from/(to) accumulated surplus: | | | | |
| Contributions | 20,598 | 18,998 | 20,598 | 18,998 |
| Disbursements | (19,023) | (17,964) | (19,023) | (17,964) |
| **Balance at end of year** | **22,818** | **21,243** | **22,818** | **21,243** |

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 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Balance at beginning of year | - | - | (734) | (598) |
| Gain/(loss) recognised on cash flow hedges: | | | | |
| Interest rate swaps | - | - | (386) | (532) |
| Forward foreign exchange contracts | - | - | 9 | 11 |
| Realised losses transferred to Statement of Financial Performance | - | - | 176 | 239 |
| Income tax related to gains/losses recognised in other comprehensive income | - | - | 106 | 146 |
| **Balance at end of year** | **-** | **-** | **(829)** | **(734)** |

# 19. Reserves continued

## (e) Reserve funds held for a specific purpose

| | Opening Balance 1 July 2019 $'000 | Deposits $'000 | Withdrawals $'000 | Closing Balance 30 June 2020 $'000 |
|---|---|---|---|---|
| **Development funds**<br>These arise from development and financial contributions levied by the Council for capital works and are intended to contribute to the growth related capital expenditure for roading, water supply, sewerage, stormwater, reserve land and improvements, and community facilities | 22,719 | 21,425 | 15,529 | 28,615 |
| **Asset renewal funds**<br>The Council sets aside funding to meet the renewal of its infrastructural and operating assets to ensure the continued ability to provide services. | 3,845 | 13,791 | 13,354 | 4,282 |
| **Transport improvement fund**<br>Funds set aside to subsidise public transport and the development of public transport infrastructure. | 1,630 | 559 | 265 | 1,924 |
| **Asset sale reserves**<br>Proceeds from asset sales which are used to fund the portion of capital expenditure attributable to increased level of service for roading, water supply, sewerage, stormwater, reserve land and improvements, and community facilities. | 10,355 | - | - | 10,355 |
| **Arrowtown endowment land reserve**<br>Proceeds from assets sales from Arrowtown endowment land. | - | - | - | - |
| **Trust funds**<br>Funds held on behalf of various community organisations. | 17 | - | - | 17 |
| **Queenstown Airport dividend reserve**<br>Unallocated portion of dividends received from QAC. | 2,200 | 6,248 | 5,404 | 3,044 |
| **Lakes Leisure reserve**<br>Funds transferred from Lakes Leisure at dis-establishment that are to be used to fund charitable purposes in line with the company's constitution. | 3,196 | - | - | 3,196 |
| **Total Council reserve funds** | **43,962** | **42,023** | **34,553** | **51,433** |
| QAC cash flow hedge reserve | (734) | 291 | 386 | (829) |
| **Total Council reserve funds** | **43,228** | **42,314** | **34,939** | **50,604** |

## 20. Accumulated Funds

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of year | 680,789 | 637,855 | 735,937 | 685,931 |
| Net surplus | 51,432 | 52,872 | 58,709 | 59,944 |
| Transfers from/(to) reserves: | | | | |
| Revaluation reserve | 2,647 | (5,841) | 2,647 | (5,841) |
| Operating reserves | (5,896) | (3,063) | (5,896) | (3,063) |
| Capital reserves | (1,575) | (1,034) | (1,575) | (1,034) |
| **Balance at end of year** | **727,397** | **680,789** | **789,822** | **735,937** |

## 21. Non-Controlling Interest

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of year | - | - | 71,006 | 69,312 |
| Share of surplus for year | - | - | 4,498 | 4,128 |
| Coronet Forest 25% buyout | | | - | (611) |
| Dividends paid | - | - | (2,073) | (1,796) |
| Share of other comprehensive income | - | - | (33) | (27) |
| **Balance at end of year** | **-** | **-** | **73,398** | **71,006** |

## 22. Commitments for Expenditure

### (a) Capital expenditure commitments

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Queenstown Lakes District Council (i) | 33,205 | 25,521 | 33,205 | 25,521 |
| Queenstown Airport Corporation Limited | - | - | - | 4,634 |
| **Balance at end of year** | **33,205** | **25,521** | **33,205** | **30,155** |

(i) A significant amount of the Councils 2019/20 programme of works has been deferred to later years. Major projects contracted as at 30 June 2020 included Recreation Ground new Wastewater Pump Station ($10.8m), Shotover Country new bore water supply ($2.1m), and Willow Place WWPS Rising Main upgrade ($2.3m). 2019 commitments included $2.6m for North East Frankton Storm Water, Stage 1 and $2.0m for 3 Waters Programme QS Services.

Capital expenditure commitments for QAC in 2019 were for the acquisition of Property, Plant and Equipment

### (b) Lease commitments

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

## 23. Contingent Liabilities and Contingent Assets

### Council

(a) **Legal claims**

Refer to note 17 for information regarding the provision for existing legal claims against Council. A significant degree of estimation has been involved to calculate the provision. As a result Council may be subject to further liability that is not currently recognised.

Carter Holt Harvey has discontinued its claim against Queenstown Lakes District Council in respect of the leaky school buildings. This proceeding is now at an end.
Last year, a group of homeowners initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadow clad plywood cladding sheets manufactured and distributed by CHH. CHH has joined 19 Councils as co-defendants in this claim. At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

**Guarantees**

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

### Queenstown Airport Corporation Limited

**Noise mitigation**

(c) QAC The Company has implemented a programme of works to assist homeowners living in the inner and mid noise boundaries to mitigate the effects of aircraft sound exposure. Due to a significant reduction in aircraft movements leading to reduced aircraft sound exposure there is unlikely to be a requirement to continue with the mitigation works in the near term. The programme will progress when increased levels of airline activity return post COVID 19.

*Inner Noise Mitigation*

As at 30 June 2020, the Company had made inner noise mitigation offers to 39 properties (7 are owned by the Company), at a total cost of $1,838,000. Aircraft noise at Queenstown Airport has decreased as a result of the reduced aircraft movement levels due to the closure of New Zealand borders since March. Accordingly, noise mitigation works have been suspended until the Company has greater clarity of the future of international aircraft movements and the impact on its noise boundaries. There are no capital commitments at balance date.

*Mid Noise Mitigation*

Prior to 30 June 2020 the Company had made a commitment to provide noise mitigation works (mechanical ventilation) to 131 properties. As at 30 June 2020, 18 homeowners had replied and requested to proceed with design prior to determining whether to accept the offers.

**Litigation**

(d) During the reporting year the Wanaka Stakeholders Group (WSG) initiated judicial review proceedings against Queenstown Lakes District Council (QLDC) as first respondent and QAC as second respondent. The proceedings relate to the future governance model for Wanaka Airport as determined by QLDC in 2016/2017 and which resulted in a 100-year lease negotiated and executed by QLDC and QAC in 2018. During the period QAC incurred approximately $310k in legal costs and is forecasting significant costs in the future to respond to this matter. These costs have been expensed in the income statement as the costs are incurred.

## 24. Leases

### (a) Leasing arrangements

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

### (b) Non-cancellable operating lease payments

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Not longer than 1 year | 1,610 | 1,369 | 1,610 | 1,470 |
| Longer than 1 year and not longer than 5 years | 3,537 | 2,718 | 3,537 | 2,763 |
| Longer than 5 years | 562 | 1,001 | 562 | 1,001 |
| **Balance at end of year** | **5,709** | **5,088** | **5,709** | **5,234** |

### (c) Non-cancellable operating lease receipts

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Not longer than 1 year | 3,983 | 4,268 | 13,958 | 12,434 |
| Longer than 1 year and not longer than 5 years | 17,401 | 11,145 | 30,552 | 25,335 |
| Longer than 5 years | 27,835 | 30,504 | 30,663 | 33,457 |
| **Balance at end of year** | **49,219** | **45,917** | **75,173** | **71,226** |

A key assumption for our operating lease receipts is that the lease income which is linked to turnover, continues to grow at inflation.

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

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Queenstown Airport Corporation Limited | 5,412 | 5,412 | - | - |
| | **5,412** | **5,412** | **-** | **-** |

| | Country of incorporation | Ownership interest 2020 % | Ownership interest 2019 % | Principal activity of the entity |
|---|---|---|---|---|
| **Council** | | | | |
| Queenstown Lakes District Council (QLDC) (i) | NZ | | | |
| **CCO's:** | | | | |
| Queenstown Airport Corporation Limited (QAC) (ii) | NZ | 75.01% | 75.01% | Airport operator |
| Queenstown Events Centre Trust (iii) | NZ | N/A | N/A | Charitable trust |

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

(ii) On 21 August 2019 a final dividend for the year ended 30 June 2019 of $0.4542 per share (total dividend $7,295,108) was paid to holders of fully paid ordinary shares. QLDC's share of this dividend was $5,472,060. On 13 February 2020 an interim dividend for the year ended 30 June 2020 of $0.0623 per share (total dividend $1,000,000) was paid to holders of fully paid ordinary shares. QLDC's share of this dividend was $750,100.

(iii) Not trading

All entities in the Group have 30 June balance dates.

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

## 26. Subsequent Events

### Queenstown Airport Corporation Ltd (QAC)

On 19 August 2020 the QAC Board resolved that no final dividend for the year ended 30 June 2020 would be paid to shareholders. (2019: $7,294,618 dividend declared and QLDC's share of this was $5,472,061).

There were no other significant events after balance date.

### Covid-19 impact

On August the 12th, Queenstown Lakes shifted back into Level 2 for 6 weeks, however this had no further impact on our financial position as at 30 June.

## 27. Related Party Disclosures

### (a) Council

The Council (QLDC) is the ultimate parent of the Group.

### (b) Equity interests in related parties

**Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 25 to the financial statements.

### (c) Transactions with related parties

**Transactions involving the Group**

During the year the following (payments)/receipts were made (to)/from related parties which were conducted

| | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|
| **The following transactions took place between QLDC and related parties:** | | |
| **Queenstown Airport Corporation Limited *** | | |
| Payment of rates on its property | 491 | 481 |
| Resource consent costs and collection fees | - | 18 |
| Payment for construction works | 21 | 9 |
| Frankton Golf Club lease | 43 | 40 |
| Parking infringement services | 76 | 83 |
| Dividends | 6,222 | 5,391 |
| **Balances owed (to) / from at 30 June were:** | | |
| Owed from Queenstown Airport Corporation Ltd | 3 | 3 |

*There are no Councillors in Queenstown Lakes District Council who own shares in Auckland International Airport which has a non-controlling interest in Queenstown Airport Corporation Ltd.

| | 2020 | 2019 |
|---|---|---|
| **The following transactions took place between Queenstown Airport Corporation and related parties:** | | |
| Auckland International Airport Ltd | | |
| - Rescue fire training | (5) | (41) |
| - Purchase of fire appliance | - | - |
| - Director fees | (43) | (43) |
| Go Rentals (Auckland) Ltd (G Lilly, Director) - Commercial parking revenue | - | 85 |
| NZTA (M Stiassny, Chair and A Young-Cooper, member) | | |
| - Recovery of governance workshop costs | | - |
| BNZ (P Flacks, Director) - Interest paid, other bank fees and interest received | - | (1,120) |
| **Balances owed (to)/from at 30 June were:** | | |
| Owed to BNZ | (15,001) | (16,750) |

**Other transactions involving related parties**

1. QLDC's netball courts and six holes of the Frankton golf course are located on QAC land to the north west of the runway. Revenue from this arrangement amounted to $43,000 (2019: $40,000).
2. Queenstown Airport Corporation receives services from Auckland International Airport Ltd for which no consideration is paid.

**Transactions eliminated on consolidation**

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

# 28. Notes to the Statement of Cash Flows

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |

## (a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash in bank and other short-term highly liquid deposits that are readily convertible to a known amount of cash, net of outstanding bank overdrafts. As required under the Construction Contracts Act 2002, cash includes retentions of $514,921 (2019: $1,423,838) for Council and $533,921 (2019: $1,442,838) for Group held on trust which are payable by the Council/Group respectively on completion of contractual obligations by third parties. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 6,624 | 20,876 | 11,811 | 21,785 |
| Bank overdraft | - | - | - | - |
| | **6,624** | **20,876** | **11,811** | **21,785** |

## (b) Borrowings - facilities

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

| | Council 2020 $'000 | Council 2019 $'000 | Group 2020 $'000 | Group 2019 $'000 |
|---|---|---|---|---|
| Amount used | 118,938 | 106,034 | 187,938 | 168,734 |
| Amount unused | 76,160 | 67,466 | 147,160 | 224,766 |
| | **195,098** | **173,500** | **335,098** | **393,500** |

# 28. Notes to the Statement of Cash Flows continued

| | Council | | Group | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **(c) Reconciliation of surplus/(deficit) for the period to net cash flows from operating activities** | | | | |
| Surplus for the year | 51,432 | 52,872 | 63,207 | 64,072 |
| Add/(less) non-cash items: | | | | |
| Depreciation and amortisation | 35,551 | 27,563 | 44,402 | 35,768 |
| Loss provision | 6,818 | 4,100 | 6,818 | 4,100 |
| Vested assets | (53,182) | (36,070) | (53,182) | (36,070) |
| (Gain)/loss on sale of property, plant & equipment | (123) | (1) | (123) | (1) |
| (Gain)/loss on revaluation of forestry investment | 684 | (687) | 684 | (687) |
| (Gain)/loss on revaluation of investment property | 2,417 | (5,154) | 2,417 | (5,154) |
| Net change in fair value of derivative financial instruments | 2,122 | 2,800 | 2,061 | 2,766 |
| Other | (76) | - | (90) | 44 |
| | **45,643** | **45,424** | **66,194** | **64,839** |
| Movement in working capital: | | | | |
| Trade and other receivables | (3,024) | (4,137) | (2,082) | (4,252) |
| Inventories | (12) | (7) | (12) | (7) |
| Current tax refundable/payable | - | - | 291 | (1,066) |
| Other current assets | (1,366) | 302 | (1,525) | 440 |
| Deferred tax asset/liability | - | - | (4,053) | (475) |
| Trade and other payables | (3,028) | 613 | 12,100 | 1,520 |
| Employee entitlements | 878 | 305 | 717 | 433 |
| Other financial liabilities | 1,344 | (200) | 1,458 | (87) |
| | **(5,208)** | **(3,124)** | **6,894** | **(3,494)** |
| Movement in items treated as investing activities | 2,543 | 1,827 | (14,611) | 60 |
| **Net cash inflow from operating activities** | **42,978** | **44,127** | **58,477** | **61,405** |

## 29. Remuneration (Council Only)

During the year to 30 June 2020, 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 | |
|---|---|---|
| | 2020 | 2019 |
| **Elected Representatives** | $ | $ |
| **Council** | | |
| Jim Boult - Mayor | 126,035 | 118,079 |
| Calum McLeod - Deputy Mayor - Wanaka Ward/Wanaka Community Board[1] | 52,197 | 41,587 |
| Tony Hill - Councillor Wakatipu/Committee Chair (until Oct 2019) | 11,814 | 40,310 |
| John MacDonald - Councillor Wakatipu/Committee Chair | 40,385 | 33,538 |
| Penny Clark - Councillor Wakatipu/Committee Chair | 40,385 | 33,538 |
| Val Miller - Councillor Wakatipu | 36,748 | 33,538 |
| Ross McRobie - Councillor Wakatipu/Committee Chair (until Oct 2019) | 11,814 | 41,524 |
| Scott Stevens - Councillor Arrowtown/Committee Chair (until Oct 2019) | 11,814 | 40,350 |
| Craig Ferguson - Councillor Wakatipu | 40,385 | 33,538 |
| Alexa Forbes - Councillor Wakatipu/Committee Chair (until Oct 2019) | 11,814 | 39,070 |
| Heath Copland - Councillor Arrowtown (elected Oct 2019) | 26,606 | - |
| Niki Gladding - Councillor Wakatipu (elected Oct 2019) | 26,606 | - |
| Glyn Lewers - Councillor Wakatipu (elected Oct 2019) | 26,606 | - |
| Niamh Shaw - Councillor Wanaka/Wanaka Community Board (elected Oct 2019 | 26,606 | - |
| Quentin Smith - Councillor Wanaka/Wanaka Community Board | 42,669 | 49,718 |
| **Wanaka Community Board** | | |
| Rachel Brown - Board Member (until Oct 2019) | 3,559 | 11,745 |
| Edward Taylor - Board Member/Deputy Chair | 11,979 | 11,745 |
| Ruth Harrison - Board Member (until Oct 2019) | 3,559 | 11,745 |
| Judith Battson - Board Member | 11,979 | 11,745 |
| Barry Bruce - Board Chair (elected Oct 2019) | 16,840 | - |
| Chris Hadfield - Board Member (elected Oct 2019) | 8,420 | - |

[1] Remuneration includes $7,560 for attending District Plan hearings on behalf of QLDC.

### Chief Executive

For the year ended 30 June 2020, the total annual cost including fringe benefit tax to QLDC of the remuneration package being received by the Chief Executive appointed under Section 42 of the Local Government Act 2002 is calculated at $351,885 (2019: $337,864).

### Employee staffing levels and remuneration

The number of employees employed by Queenstown Lakes District Council at 30 June 2020 was 497 (30 June 2019: 452). The number of full-time employees and full time equivalents of all the other employees as at 30 June 2020 was 309 and 76 respectively (30 June 2019: 309 and 75).

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:

| | 2020 | 2019 |
|---|---|---|
| < $60,000 | 253 | 244 |
| $60,001 to $80,000 | 90 | 74 |
| $80,001 to $100,000 | 49 | 49 |
| $100,001 to $120,000 | 53 | 46 |
| $120,001 to $140,000 | 23 | 15 |
| $140,001 to $160,000 | 18 | 13 |
| > $160,000 | 11 | 11 |
| **Total number of employees** | **497** | **452** |

## 30. Severance Payments

For the year ended 30 June 2020 QLDC made no severance payments to employees.

## 31. Emissions Trading Scheme

### Forestry

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

### Landfill

QLDC owns a landfill site which is operated by Scope Resources Ltd. Under the ETS, QLDC is required to acquire and surrender emission units to account for the direct greenhouse gas emissions associated with its landfill site.

| 2020 | Pre-1990 Forest | Landfill | Total |
|---|---|---|---|
| Productive area (hectares) | 296 | n/a | 296 |
| Opening balance | - | 33,321 | 33,321 |
| NZUs purchased during the year | - | 101,500 | 101,500 |
| NZUs allocated/transferred internally during the year | - | - | - |
| NZUs transferred to Scope Resources Ltd during the year | - | (66,272) | (66,272) |
| **NZUs on hand at balance date** | **-** | **68,549** | **68,549** |

Under the ETS liabilities can accrue as follows:

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

## 32. Explanation of Major Variances against Budget

### Statement of Financial Performance

QLDC recorded a surplus of $51.4m for the year. This is marginally down from the $52.9m surplus recorded last year but up against a budget of $50.2m. The main reasons for the higher surplus against budget, which is not profit, are related to higher than expected revenue ($19.8m) to budget.

Revenue was above estimate by 9.7% or $19.8m and expenditure was over by 8.6% or $13.2m. This reflects continued high levels of activity for the first 9 months of the financial year. The impact of Covid19 had a significant negative impact on both revenue and expenditure in the fourth quarter.

The following major items contributed to this variance:

- Increased vested asset income of $42.3m for the year; this non-cash income reflects the value of assets passed to Council as a result of continued high levels of development activity in the district.
- A increase in development contribution income of $2.0m which is related to the level of development activity within the district. This income can only be used to fund growth related capital expenditure.
- The delay associated with the Queenstown Arterials project created an unfavourable variance of $20.2m in expected grants and subsidies

The surplus includes the following:

- $5.1m of net unrealised losses as a result of the revaluation of investment property, interest rate swaps and forestry assets as at 30 June 2020.

Operating expenditure was $13.2m (8.6%) over budget for the year ended 30 June 2020. $6.6m of this negative variance is due to an increase in loss provision to defend and resolve a number of building related legal claims against the Council.

The major remaining operational cost variances are as follows:

- Depreciation and amortisation expense higher than budget by $9.0m, largely as a result of updated valuations for infrastructure assets for both 3 waters assets (2019) and roading assets (2020).
- Interest expense for the year is $5.0m less than budget. This is a result of the timing of some capital works and lower than expected interest rates.
- Costs for road maintenance were $2.3m above budget for the year, mainly as a result of emergency work along with environmental maintenance.
- There was $2.0m of costs originally included within capital budgets which have been transferred to operational costs as they cannot be capitalised. This is not overspend but a change of classification.
- Similarly, there was $0.8m of costs associated with freedom camping initiatives funded by central government which were included within capital budgets which have been transferred to operational costs as they cannot be capitalised.
- The negative variance for operational costs was offset by a $4.5m positive variance as result of the delay of the Coronet Forest harvest.

### Statement of Financial Position

The main variances relate to the difference in expected asset values for the year and reduced borrowings. The following items contributed to this variance:

- Large movements in infrastructure values as a result of infrastructure revaluations in both 2019 and 2020, these are summarised below:
- 2019 Increase in infrastructure value: $380m with Roading increasing by $75.1m and 3 Waters assets by $304.9m
  2020 Increase in infrastructure value: $184.5m with Roading increasing by $184.5m. Offsetting this, capital expenditure was below estimate by $108.1m for the year ended 30 June 2020. This relates mostly to timing differences in the following areas: Transport $16.2m; Water Supply $17.6m; Wastewater $9.6m; HIF projects $6.7m; Community Services $11.5m.
- Lower than forecast capital expenditure in the last 4 years, as well as the sale of the Scurr Heights land in 2016 and the prepayment for the Wanaka Airport lease last year, results in borrowings that are $112.8m below forecast. Total debt as at 30 June 2020 is $118.8m compared to a forecast of $231.9m.

### Statement of Changes in Equity

Accumulated differences between actual and budgeted net surpluses as described above for 2019 and 2020, as well as the impact of infrastructure asset revaluations; prior investment property revaluations and reduced borrowings, has resulted in an equity variance of $557m above forecast.

### Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows, particularly cash flows from investing and financing activities. Cash payments for the purchase of property, plant and equipment (i.e. capital expenditure) were $97.2 million below estimate and consequently, net borrowings were around $82.0 million less than expected. Cashflows from operating activities were $22.8m below budget mainly as a result of Covid19.

### Financial impact of Covid-19

The financial impact of Covid19 on the council is not immediately apparent because of the increased vested asset income of $42.3m for the year. This significant variance in non-cash income and the variances in other revenue items tends to mask the impact in the high level financial statements.

The financial impact of Covid19 on the council is significant and resulted in reduced revenues against budget of $4.8m for the fourth quarter for the following areas:

> Consenting income down $1.36m
> Rental income down $0.92m
> Recreation revenues down $0.8m
> Solid Waste income down $0.63m
> Infringement income down $0.62m
> Parking Income down $0.39m
> Licensing income down $0.12m

The main impact from an expenditure perspective were the costs associated with the welfare response which council administered up until July 2020. Welfare related payments totalling $2.85m were made during this period. Council was subsequently reimbursed by the government for most of this cost with $2.79m showing as favourable unbudgeted income.

# 33. Financial Instruments

## (a) Capital management

For the purpose of the Group's capital management, the Group's capital is its equity, including accumulated comprehensive revenue and expenses and all equity reserves attributable to the Council. Equity is represented by net assets.

QLDC manages the Group's capital largely as a by-product of managing its revenue, expenses, assets, liabilities and general financial dealings. The Local Government Act 2002 requires the Council to manage its revenue, expenses, assets, liabilities and general financial dealings in a manner that promotes the current and future interests of the community. In addition, the Local Government (Financial Reporting and Prudence) Regulation 2014 sets out a number of benchmarks for assessing whether the Council is managing its revenue, expenses, assets and liabilities prudently.

The primary objective of the Group's capital management is to achieve intergenerational equity which is a principle promoted in the Local Government Act 2002 and applied by the Council. Intergenerational equity requires the Council to spread the funding of the cost of its assets over the current and future generations of ratepayers, such that:

- Current ratepayers are required to meet the cost of using the assets, but not the full cost of long term assets that will benefit ratepayers in future generations; and
- Ratepayers in future generations are not required to meet the costs of deferred asset renewals and maintenance.

In order to achieve this overall objective, the Council has in place asset management plans for major classes of assets, detailing renewals and programmed maintenance.

An additional objective of capital management is to ensure that the expenditure needs identified in the Council's Long-term Plan and Annual Plan are met in the manner set out in these plans. The Local Government Act 2002 requires the Council to make adequate and effective provision in its Long-term Plan and in its Annual Plan to meet the expenditure needs identified in those plans. The factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities are set out in the Local Government Act 2002. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-term Plan.

The Council monitors actual expenditure incurred against the Long-term Plan and Annual Plan.

QLDC obtained a credit rating from Fitch Ratings in December 2017 in order to facilitate additional debt funding ahead of the 2018-28 Long-term Plan. The credit rating is reviewed on an annual basis and has been maintained since that time.
No other changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 2019.

## (b) Significant accounting policies

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

## (c) Categories of financial instrumenets

| | Council | | Group | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents (AC) | 6,624 | 20,876 | 11,811 | 21,785 |
| Trade and other receivables (AC) | 22,341 | 19,316 | 24,449 | 23,173 |
| Other financial assets (AC) | 472 | 472 | 472 | 472 |
| Other financial assets (FVTSD) | - | - | - | - |
| Other financial assets (AFS) | 1,569 | 1,408 | 1,569 | 1,408 |
| **Financial liabilities** | | | | |
| Trade and other payables (AC) | 24,656 | 27,684 | 44,298 | 31,895 |
| Borrowings (AC) | 118,801 | 106,298 | 187,801 | 168,998 |
| Other financial liabilities (FVTSD) | 7,124 | 5,002 | 8,456 | 5,831 |

AC = Amortised cost; FVTSD = Fair value through surplus or deficit; AFS = Available for sale

## (d) Financial risk management objectives

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

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

## (e) Interest rate risk

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

**Sensitivity analysis**

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

The Council and Group is not exposed to foreign currency risk or equity price risk.

# 33. Financial Instruments continued

### (e) Interest rate risk continued

The impact to surplus for the year and total equity as a result of a 50 basis point increase in interest rates is as follows (note that () represents a loss in the table below):

| | | Council | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2020 | | 2019 | | 2020 | | 2019 | |
| | | $'000 | | $'000 | | $'000 | | $'000 | |
| | | +50 bps | | +50 bps | | +50 bps | | +50 bps | |
| | **Note** | **Profit** | **Equity** | **Profit** | **Equity** | **Profit** | **Equity** | **Profit** | **Equity** |
| **Financial Liabilities** | | | | | | | | | |
| Borrowings | (i) | (150) | (150) | (100) | (100) | (495) | (495) | (286) | (286) |
| | | **(150)** | **(150)** | **(100)** | **(100)** | **(495)** | **(495)** | **(286)** | **(286)** |

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

(i) Secured loans
QLDC has floating rate debt with a principal amount totalling $30,000,000 (2019: $20,000,000).
QAC has floating rate debt with a principal amount totalling $32,700,000 (2018: $34,500,000).

### (f) Credit risk

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

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

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

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

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

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

| | Maximum credit risk | |
|---|---|---|
| | **2020** | **2019** |
| | **$'000** | **$'000** |
| **Council** | | |
| Financial assets and other credit exposures | 31,006 | 42,072 |
| **Group** | | |
| Financial assets and other credit exposures | 38,301 | 46,838 |

### (g) Liquidity risk management

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

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

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

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

### (h) Fair value of financial instruments

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

Fair value measurements recognised in the Statement of Financial Performance.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets 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).

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **2020** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Council** | | | | |
| **Financial assets** | | | | |
| Other investments | 1,569 | - | - | 1,569 |
| **Financial liabilities** | | | | |
| Derivatives | 7,124 | - | 7,124 | - |
| **Group** | | | | |
| **Financial assets** | | | | |
| Other investments | 1,569 | - | - | 1,569 |
| **Financial liabilities** | | | | |
| Derivatives | 8,456 | - | 8,456 | - |

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

# 33. Financial Instruments continued

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

| Council 2020 | 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 | - | 24,656 | 24,656 | 24,656 | - | - | - | - | - |
| Borrowings | 3.11% | 119,065 | 129,642 | 51,078 | 2,379 | 22,126 | 11,523 | 21,980 | 20,557 |
| | | **143,721** | **154,298** | **75,734** | **2,379** | **22,126** | **11,523** | **21,980** | **20,557** |

| Council 2019 | Weighted average effective interest rate % | Carrying amount $'000 | Undiscounted contractual cash flows $'000 | Less than 1 year $'000 | 1-2 years $'000 | 2-3 years $'000 | 3-4 years $'000 | 4-5 years $'000 | 5+ years $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | | |
| Trade and other payables | - | 27,684 | 27,684 | 27,684 | - | - | - | - | - |
| Borrowings | 3.72% | 106,298 | 120,491 | 23,829 | 28,380 | 2,303 | 22,143 | 11,513 | 32,323 |
| | | **133,982** | **148,175** | **51,513** | **28,380** | **2,303** | **22,143** | **11,513** | **32,323** |

| Group 2020 | 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 | - | 44,298 | 44,298 | 44,298 | - | - | - | - | - |
| Borrowings | 3.43% | 188,065 | 204,335 | 53,832 | 58,822 | 37,622 | 11,523 | 21,980 | 20,557 |
| | | **232,363** | **248,633** | **98,130** | **58,822** | **37,622** | **11,523** | **21,980** | **20,557** |

| Group 2019 | Weighted average effective interest rate % | Carrying amount $'000 | Undiscounted contractual cash flows $'000 | Less than 1 year $'000 | 1-2 years $'000 | 2-3 years $'000 | 3-4 years $'000 | 4-5 years $'000 | 5+ years $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | | |
| Trade and other payables | - | 31,895 | 31,895 | 31,895 | - | - | - | - | - |
| Borrowings | 3.39% | 168,998 | 186,145 | 45,505 | 29,658 | 45,003 | 22,143 | 11,513 | 32,323 |
| | | **200,893** | **218,040** | **77,400** | **29,658** | **45,003** | **22,143** | **11,513** | **32,323** |

# 34. Queenstown Airport Corporation

| | QAC | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Queenstown Airport Corporation Limited | | |
| Revenue | 46,667 | 49,635 |
| Operating Expenditure | 15,338 | 15,295 |
| EBITDA | 31,329 | 34,340 |
| Interest Expense | 2,633 | 2,943 |
| Depreciation and Amortisation | 8,965 | 8,319 |
| Profit Before Tax | 19,731 | 23,078 |
| Net Profit After Tax | 17,996 | 16,590 |
| | | |
| Dividends Paid | 8,295 | 7,186 |
| | | |
| Total Assets | 398,525 | 371,084 |
| Total Liabilities | 104,819 | 86,951 |
| Shareholders Funds | 293,706 | 284,133 |
| | | |
| Operating Cash Flow | 21,721 | 22,669 |
| Closing Debt | 69,000 | 62,700 |

# Annual report disclosure statement for the year ended 30 June 2020

## WHAT IS THE PURPOSE OF THIS STATEMENT?

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

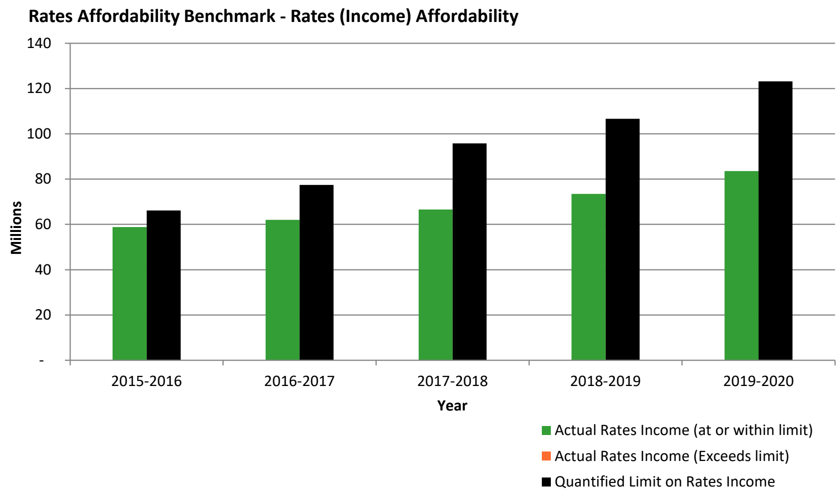
The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

## RATES AFFORDABILITY BENCHMARK

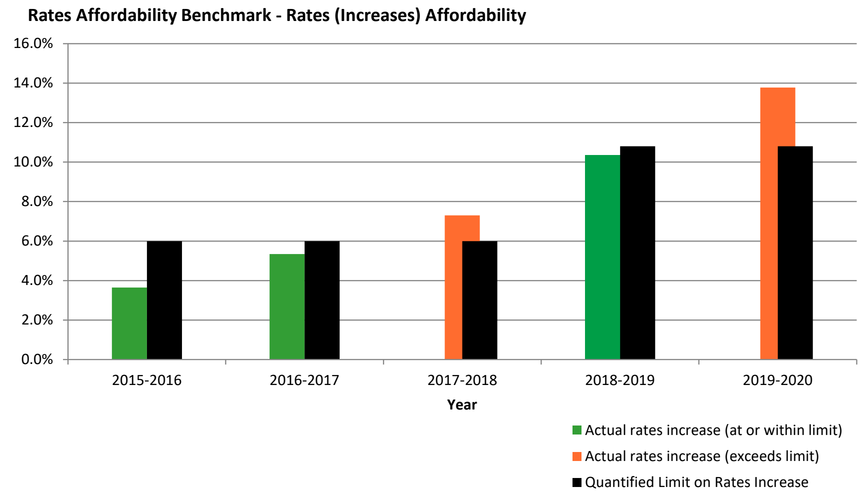
The council meets the rates affordability benchmark if—

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

**Rates (income) affordability -** The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The quantified limit is that rates income will not exceed 55% of total revenue.



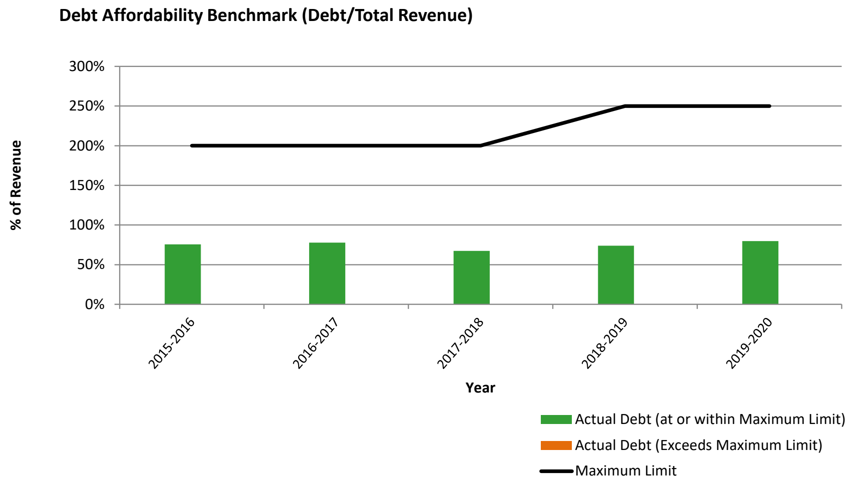

**Rates (increases) affordability -** The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's long-term plan. The quantified limit is that rates increases set at a maximum of 10.8% per annum (subject to changes in growth).



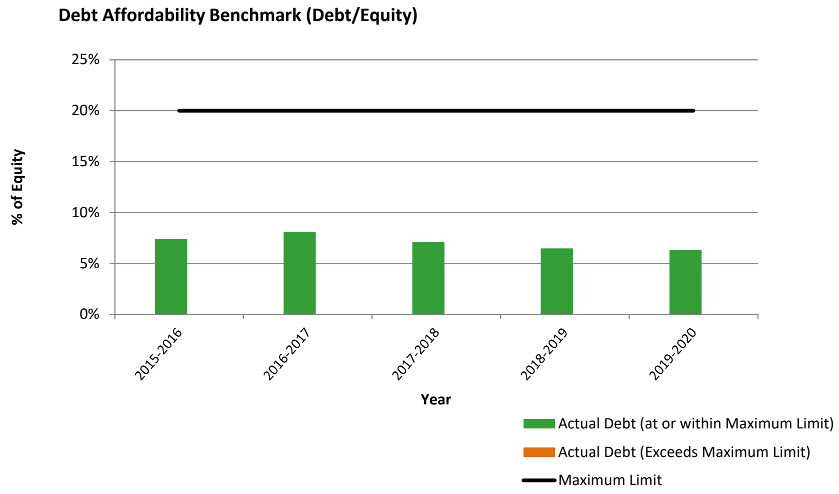
## DEBT AFFORDABILITY BENCHMARKS

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

The following graphs compare the council's actual borrowing with the quantified limits on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is that the debt to revenue ratio will be under 250%.



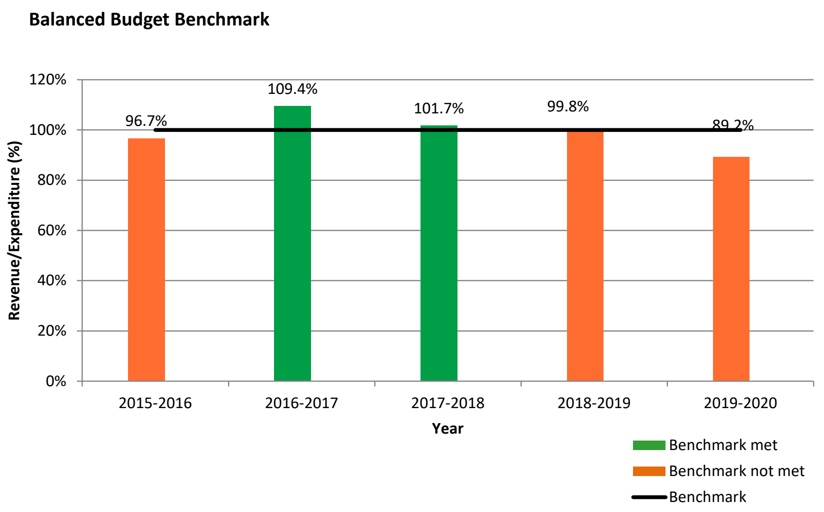

The quantified limit is that the debt to equity ratio will be under 20%.



## BALANCED BUDGET BENCHMARK

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

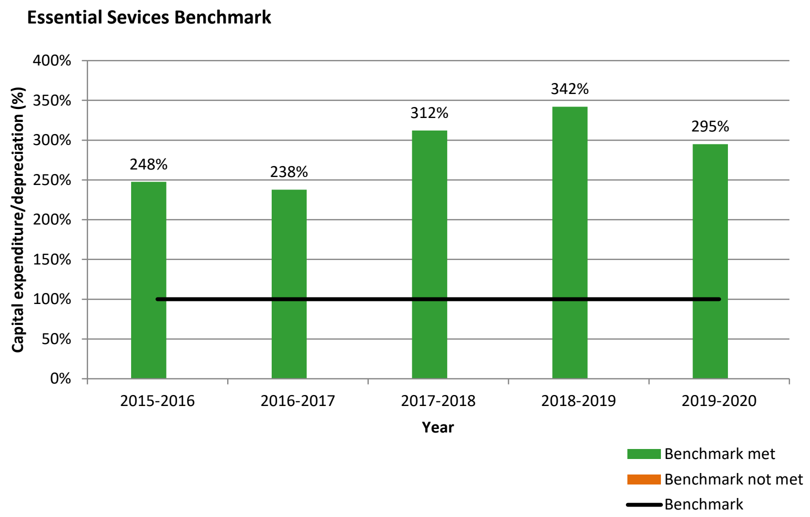
The council meets this benchmark if its revenue equals or is greater than its operating expenses.




## ESSENTIAL SERVICES BENCHMARK

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

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

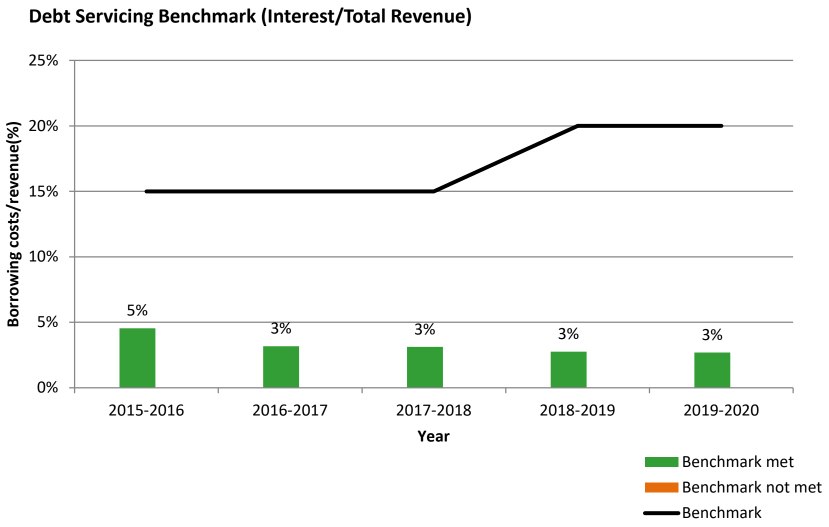


## DEBT SERVICING BENCHMARK

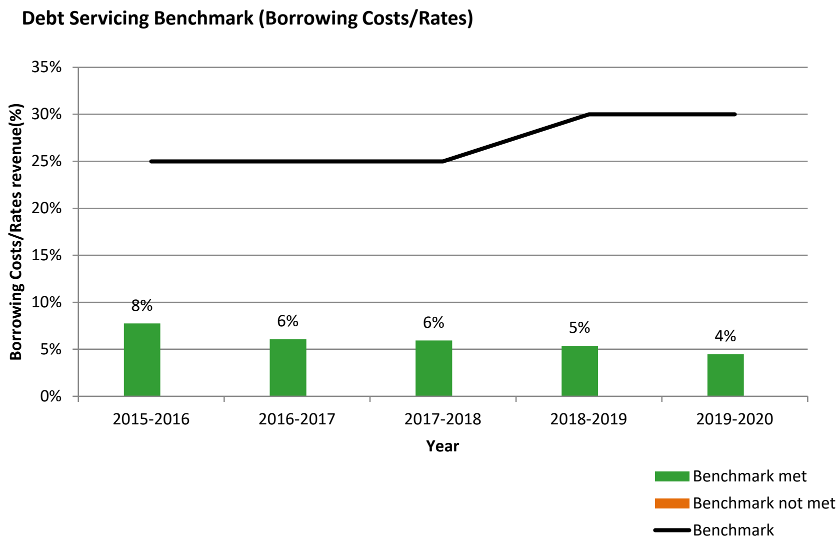
The following graphs compares the council's actual debt servicing with the quantified limits on borrowing stated in the financial strategy included in the council's long-term plan.

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

Because Statistics New Zealand projects the council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 20% of its revenue.



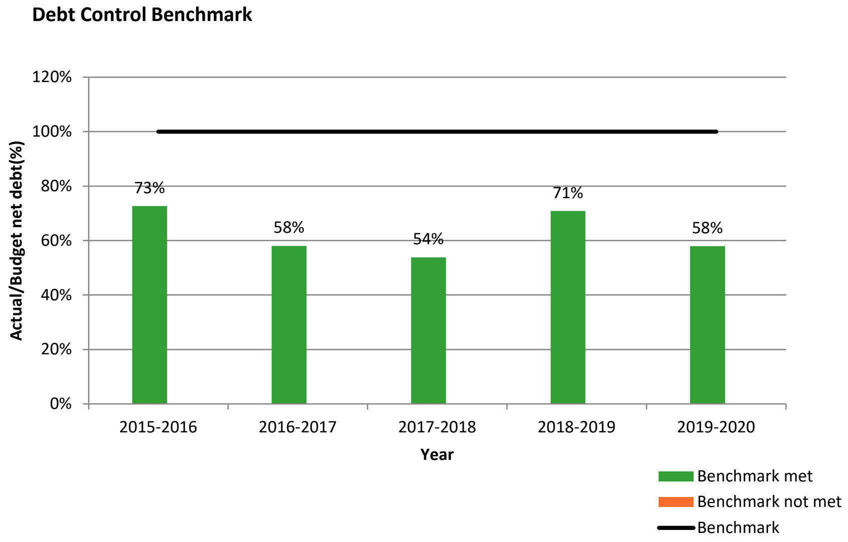

The following graph displays the council's borrowing costs as a proportion of rates revenue. The quantified limit is that its debt servicing costs equal or are less than 30% of its rates revenue.



## DEBT CONTROL BENCHMARK

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

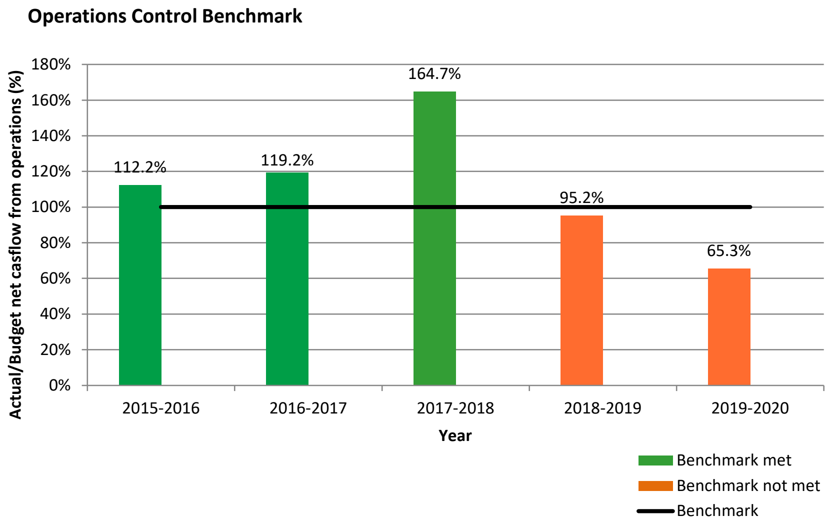
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.




## OPERATIONS CONTROL BENCHMARK

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

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



## ADDITIONAL INFORMATION OR COMMENT

Council has met all but three of the benchmarks for the past four years. The reason for the breach in the "Operations control benchmark" in 2019/20 were lower receipts from customers due to Covid-19 impacts offset with a reduction in finance costs, and a higher dividend from QAC. In 2018/19 the favourable receipt of dividends and interest has been offset by the lag in receipt of Non Exchange debtors. In 2015/16, 2018/19 and 2019/20 Council failed to meet the "Balanced budget benchmark", this relates to unbudgeted expenditure for the year in relation to the defence and resolution of legal claims. The "Rates affordability benchmark" relating to the percentage increase for rates was breached in 2017/18 and 2019/20. The incoming Council agreed to a higher than forecast increase in rates in order to increase resources to deal with growth proactively in the district.

## CORE ASSETS DISCLOSURE

**Core Assets Disclosure**

| | | Closing Book Value 30-Jun-20 $000's | Additions constructed by Council $000's | Additions transferred to Council $000's | Estimated replacement cost $000's |
|---|---|---|---|---|---|
| Water Supply | Treatment plants and facilities | 31,109 | 125 | - | 31,853 |
| Water Supply | Other assets (such as reticulation systems) | 214,150 | 2,291 | 9,711 | 215,161 |
| Sewerage | Treatment plants and facilities | 50,076 | 590 | 1,229 | 51,234 |
| Sewerage | Other assets (such as reticulation systems) | 287,116 | 3,924 | 8,164 | 288,491 |
| Stormwater Drainage | | 276,745 | 7,511 | 14,202 | 278,020 |
| Roads & Footpaths | | 784,141 | 7,133 | 12,403 | 784,141 |

**Note:** There are no flood protection or control works.

** excluding assets under construction*

* Note: Est Replacement Cost - LY Replacement Cost + this year additions

## RATING BASE INFORMATION

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

Rating base information as at 30 June 2019

The number of rating units 26,212

The total land value of rating units 19,450,220,600

The total capital value of rating units 33,979,058,200

## INSURANCE ON ASSETS

**Buildings, Plant & Equipment**

The Council has a total asset value for insurance purposes of $366,132,392. This is made up of $258,658,300 for Property and Plant and $107,474,092 under the 3 Waters Assets noted below. The insurance is based on full Replacement Value. There are two policies, one for a Fire (Replacement) Loss limit of $45,000,000, the other a Material Damage (excluding Fire) policy. Flood is defined as loss, damage, interruption or interference arising from the unundation of normally dry land by water escaping or released from the confines of Lake Wakatipu. The Council carries the first $10,000 of any loss for Fire and Perils and $250,000 for flood damages. The Natural Disaster excess is 2.5% of the sum insured minimum $2,500 and/or for Pre-1935 Risks 10% of the Material Damage site sum insured, minimum $10,000 for Natural Disaster losses. This applies to the combined Material Damage and Business Interruption loss.

**3 Waters Asset - Buildings/Plant & Equipment**

The Council has a total asset value for insurance purposes of $107,474,092. This is made up of Replacement Value $63,936,432 and Indemnity Value $43,537,660. The Council carries the first $10,000 of any loss for Fire and Perils, and to $250,000 for flood damages. The Natural Disaster excess is 2.5% of the sum insured minimum $2,500 and/or for Pre-1935 Risks 10% of the Material Damage site sum insured, minimum $10,000 for Natural Disaster losses. This applies to the combined Material Damage and Business Interruption loss.

**Forestry**

The Coronet Forest is insured for Fire to the value of $2,506,376, with an Aggregate Limit of Liability of $3,078,752. The Council carries an excess that is percentage of the sum of the Block Declared Value.

**Vehicles**

The Council has a total asset value for insurance purposes for vehicles of $2,126,951. All vehicles are insured for Market Value with Replacement Value for vehicles which are less than 12 months old. The cover includes all glass claims. The Council carries an excess of 1% of the vehicle value minimum $1,000 for own vehicles and nil excess for damage to third party damage. The Limit for Third Party damage is $20,000,000. Nil Excess applies to windscreen and window glass.

**Natural Catastrophe for Infrastructure - Shared Services**

The Council has a total asset value for insurance purposes of $1,042,314,380. The Council has Physical loss and Business Interruption cover for their Infrastructure caused by a Natural Catastrophe Event including Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal & Geothermal Activity and Subterranean Fire. The Limit of Liability is NZD300,000,000 combined limit for an event involving more than one Council for any one loss or series of losses arising out of any one event. The Limit of Liability for Queenstown Lakes District Council is NZD197,000,000 each and every loss. The Deductible is NZD1,000,000 each and every Loss.

# Auditor's report

Deloitte.

# INDEPENDENT AUDITOR'S REPORT

## TO THE READERS OF QUEENSTOWN LAKES DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

We are also required to report on:

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

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

We completed our work on 29 October 2020. This is the date on which we give our report.

**Opinion on the audited information**

In our opinion:

- the financial statements on pages 128 to 180:
    - present fairly, in all material respects:
        - the District Council and Group's financial position as at 30 June 2020;
        - the results of the operations and cash flows for the year ended on that date; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 125, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Annual plan;

- the Statement of Service Performance on pages 26 to 123:

  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, including:

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

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

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

- the statement about capital expenditure for each group of activities on pages 40 to 121, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and

- the funding impact statement for each group of activities on pages 40 to 121, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

**Report on the disclosure requirements**

We report that the District Council has:

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

- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 182 to 186, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

**Impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the District Council as set out in 32 to the financial statements.

**Basis for our opinion on the audited information**

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

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

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

**Responsibilities of the Council for the audited information**

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

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

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

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

**Responsibilities of the auditor for the audited information**

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

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

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's Long-term and Annual plans.

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

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

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

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

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

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

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

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

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

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

**Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 23, but does not include the audited information and the disclosure requirements.

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

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

**Independence**

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

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

M Hawken
for Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand