

QLDC Council

30 June 2016

Report for Agenda Item 6

Department: Finance and Regulatory

Principles Related to the Use of Funds from the Sale of the Scurr Heights Land

Purpose

To confirm the principles related to the use of funds from the sale of the Scurr Heights land and the accounting treatment for managing the approved distributions.

Recommendation

That the Council:

- a. **Confirm** that the net sale proceeds from the recent sale of the Scurr Heights Land be credited to the Wanaka Asset Sale Reserve in line with previous practice; and
- b. **Confirm** the following guiding principles relating to future distributions from the Wanaka Asset Sale Reserve:
 - Distributions may be used to fund qualifying capital expenditure approved in the LTP or Annual Plan which benefits the residents of the Wanaka ward.
 - Distributions may not be used to fund operating expenditure.
 - Qualifying capital expenditure refers to capex which funds an increase in level of service for the Wanaka ward. This excludes capex required because of growth (otherwise funded from development contributions) and renewal capex (otherwise funded by depreciation).
 - Qualifying capital expenditure may include repayment of debt incurred on capex which has funded an increase in level of service for the Wanaka ward.

It excludes purchase of assets which are primarily acquired for speculative purposes.

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Reviewed and Authorised by:



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17/06/2016

Background

- 1 At the 26 May 2016 meeting, Council agreed to accept the cash unconditional tender from Universal Developments Limited to purchase the Scurr Heights land for \$15,650,000 plus GST.
- 2 The resolution also included the following:
“Request the Chief Executive to provide a report to the next Wanaka Community Board meeting which will then go to the following Council meeting, identifying the options and principles of how to use the funds from the sale of the Scurr Heights land.”

The timing of the June Wanaka Community Board meeting has meant that it was not possible to have this report appear on the Wanaka Community Board agenda, however, a copy of the report was presented at a recent WCB workshop. A verbal update on the feedback from this workshop will be made at the meeting.

3. It is recommended that the sale proceeds from the recent tender of the Scurr Heights land be dealt with in a manner consistent with previous land sales at Scurr Heights.
4. This involves crediting the net sale proceeds to the Wanaka Asset Sale Reserve. The Wanaka Asset Sales Reserve is a capital reserve which forms part of equity for QLDC. The reserve has been previously used to record and manage the net proceeds from property sales within the Wanaka ward.
5. The benefits of using this method are:
 - Control – Transactions are transparent with the reserve balances and movements accounted for in accordance within the parameters set for the reserve
 - Accountability – Reserve balances and movements are readily reportable and appear in the Annual Plan and Annual Report.
6. The pre-existing parameters set for Asset Sales Reserves are as follows:

Asset Sale Reserves

Proceeds from asset sales which are used to fund the portion of capital expenditure attributable to increased level of service for Rooding, Water Supply, Sewerage, Stormwater, Reserve Land and Improvements and Community Facilities.

7. The following guiding principles are recommended for managing distributions from this reserve:
 - *Distributions may be used to fund qualifying capital expenditure approved in the LTP or Annual Plan which benefits the residents of the Wanaka ward.*
 - *Distributions may not be used to fund operating expenditure.*
 - *Qualifying capital expenditure refers to capex which funds an increase in level of service for the Wanaka ward. This excludes capex required*

because of growth (otherwise funded from development contributions) and renewal capex (otherwise funded by depreciation).

- *Qualifying capital expenditure may include repayment of debt incurred on capex which has funded an increase in level of service for the Wanaka ward.*
- *It excludes purchase of assets which are primarily acquired for speculative purposes.*

Financial Implications

6. There are no budget or cost implications resulting from the decision.

Local Government Act 2002 Purpose Provisions

7. The proceeds from the sale at Scurr Heights represent a significant source of funds for Council. As such, the Council's consideration of its future management is within the ambit of section 10 which requires Councils to meet the current and future needs of communities for good-quality local infrastructure in the most cost-effective way for households and businesses.

Consultation

8. The timing of the June Wanaka Community Board meeting has meant that it was not possible to have this report appear on the Wanaka Community Board agenda, however, a copy of the report was presented at a recent WCB workshop. A verbal update on the feedback from this workshop will be made at the meeting. An important part of the recommendation is that funds are not distributed from the Reserve for purposes not included (and therefore consulted on) in the LTP or Annual Plan.

Attachments

- A Principles that apply to the use of funds in the Wanaka Asset Sales Reserve.

Principles that Apply to the use of funds in the Wanaka Asset Sales Reserve

The Wanaka Asset Sales Reserve is a capital reserve which forms part of equity for QLDC. The reserve has been used to record and manage the net proceeds from property sales within the Wanaka ward. Most recently this has included the sales of sections at Scurr Heights subdivision. It is proposed that the proceeds from the most recent bulk sale of Scurr Heights land be accounted for in the same way.

The benefits of using this method are that:

- Control - Transactions are transparent with the reserve balances and movements accounted for in accordance within the parameters set for the reserve
- Accountability - Reserve balances and movements are readily reportable and appear in the Annual Plan & Annual Report

The pre-existing parameters set for Asset Sales Reserves are as follows:

Asset Sale Reserves

Proceeds from asset sales which are used to fund the portion of capital expenditure attributable to increased level of service for Roding, Water Supply, Sewerage, Stormwater, Reserve Land and Improvements and Community Facilities.

The following guiding principles are recommended for managing distributions from this reserve:

1. Distributions may be used to fund qualifying capital expenditure approved in the LTP or Annual Plan which benefits the residents of the Wanaka ward.
2. Distributions may not be used to fund operating expenditure.
3. Qualifying capital expenditure refers to capex which funds an increase in level of service for the Wanaka ward. This excludes capex required because of growth (otherwise funded from development contributions) and renewal capex (otherwise funded by depreciation).
4. Qualifying capital expenditure may include repayment of debt incurred on capex which has funded an increase in level of service for the Wanaka ward.
5. It excludes purchase of assets which are primarily acquired for speculative purposes.