

Finance Management Report

For Quarter 4 Full Year Re-Forecast

Operating Expenditure and Revenue

Description	Full Year Actual	Full Year Re-forecast	Variance to Re-Forecast
REVENUE			
<u>Operating Revenue</u>			
Income - Rates	75,039,211	75,096,862	(57,651)
Income - Grants & Subsidies	8,361,662	5,921,729	2,439,933 1*
Income - NZTA External Cost Recoveries	3,202,850	3,077,838	125,012 2*
Income - Consents	13,100,140	13,084,187	15,953
Income - External Cost Recovery	1,549,261	1,283,262	265,999 3*
Income - Regulatory	6,542,768	6,448,472	94,296
Income - Operational	33,674,731	37,026,638	(3,351,907) 4*
Total Operating Revenue	141,470,623	141,938,987	(468,364)
EXPENDITURE			
<u>Personnel Expenditure</u>			
Expenditure - Salaries & Wages	30,211,877	29,972,378	239,499 5*
Expenditure - Salaries & Wages Contract	6,051,839	5,621,637	430,202 5*
Expenditure - Health Insurance	348,940	328,610	20,330
Total Personnel Expenditure	36,612,656	35,922,626	690,030
<u>Operating Expenditure</u>			
Expenditure - Professional Services	4,849,048	4,900,983	(51,935)
Expenditure - Legal	6,784,152	3,215,070	3,569,082 6*
Expenditure - Stationery	357,293	365,132	(7,839)
Expenditure - IT & Phones	889,697	893,688	(3,991)
Expenditure - Commercial Rent	2,203,510	2,178,336	25,174
Expenditure - Vehicle	627,665	665,626	(37,961)
Expenditure - Power	3,073,768	3,212,101	(138,333) 7*
Expenditure - Insurance	993,335	875,856	117,479 8*
Expenditure - Infrastructure Maintenance	28,992,150	28,044,754	947,396 9*
Expenditure - Parks & Reserves Maintenance	8,294,174	10,399,777	(2,105,603) 10*
Expense - External Cost On Chargeable	1,552,373	1,283,262	269,111 3*
Expenditure - Grants	6,945,501	6,580,280	365,221 11*
Expenditure - Other	14,042,000	14,007,247	34,753
Total Operating Expenditure	79,604,666	76,622,112	2,982,554
<u>Interest and Depreciation</u>			
Expenditure - Interest	3,951,355	5,717,499	(1,766,144) 12*
Expenditure - Depreciation	27,563,137	25,148,122	2,415,015 13*
Total Interest and Depreciation	31,514,492	30,865,621	648,871
Total Expenditure	147,731,814	143,410,359	4,321,455
NET OPERATING SURPLUS/(DEFICIT)	(6,261,191)	(1,471,373)	(4,789,818)

Capital Revenue and Expenditure

Description	Full Year Actuals	Full Year Re-forecast	Variance to Re-Forecast
<u>Capital Revenue</u>			
Income - Development Contributions	14,059,590	16,239,175	(2,179,585) 14*
Income - Vested Assets	36,069,541	10,733,077	25,336,464 15*
Income - Grants & Subsidies Capex	7,981,937	7,381,167	600,770 16*
Income - Operational	3,039,322	0	3,039,322 17*
Total Capital Revenue	61,150,390	34,353,420	26,796,970
<u>Capital Expenditure</u>			
Projects/Asset Purchases	75,599,694	75,700,498	(100,804)
Debt Repayment	0	0	
Total Capital Expenditure	75,599,694	75,700,498	
NET CAPITAL FUNDING REQUIRED	14,449,304	41,347,078	
Total External Borrowing	85,000,000	100,000,000	

Commentary - Operational Full Year Actuals to Full Year Re-forecast

*1 Income - Grants & Subsidies - The additional income of \$2.4m includes a \$1.3m TIF (Tourism Infrastructure Fund Round 2) grant from MBIE for toilets along with \$530k from MBIE for the responsible camping initiative. The favourable variance also includes a \$478k affordable housing contribution from Bullendale (Offset with Expenditure - Grants for \$478k payment to QLCHT. See Note. 11 below) and \$174k of affordable housing contributions from Jacks Point for QLCHT.
*2 Income - NZTA External Cost Recoveries - Additional recoveries of \$125k for internal time allocations to CAPEX within Property & Infrastructure
*3 Income - External Cost Recovery - \$266k additional income received from increased use of oncharged external consultants for more complex Resource Consent and Engineering applications. The expense matching this income is below in the expense line - External cost on chargeable and is unfavourable by \$269k.
*4 Income - Operational - Reduced income of \$3.4m includes \$1.3m variance for gains on revaluation of investment property and \$0.7m income received from CODC for their 25% share of Coronet Forest which have been moved under Capital Revenue (per note *17). \$2.4m Coronet forest harvest revenue was deferred to 19/20 which offsets with harvest expenditure also deferred (per note *10). These are offset with additional Net Interest received totalled \$0.7m. Note the total net variance would be \$0.3m including items now stated under capital revenue.
*5 Expenditure - Salaries and Wages and Contract Staff - Contract Staff additional costs of \$430k include additional \$249k within Resource consents and Building Services relating to non-chargeable disbursements, along with Infrastructure contract staff costs of \$105k (offset with additional CAPEX Recoveries (Per note *2), Customer Services \$21k, Finance \$73k, Regulatory \$19k and HR \$17k to cover vacancies.
*6 Expenditure - Legal - As part of Financial Accounting entries for the 2018:19 Annual Report there is a \$4.1m increase in the provision for appeals and settlements for the defence and resolution of legal claims (Please note this is not additional costs incurred) This is offset with an overall reduction in legal expenditure due to internal capability from a fixed term placement in the legal team and deferred district plan programming.
*7 Expenditure - Power - Further savings predominantly from reduced power and gas expenditure for QEC/Alpine Aqualand and Wanaka Pool/Recreation Centre.
*8 Expenditure - Insurance - Higher actuals of \$117k due to widespread uplifts across the portfolio including 3 waters totalling \$52k.
*9 Expenditure - Infrastructure Maintenance - Additional expenditure of \$947k includes \$373k additional emergency reinstatement costs and \$229k of Capex reclassified to OPEX as an after year-end adjustment (largely for dangerous tree removals which is an NZTA funded Capex activity) offset with an underspend in the renewals (capital) programme within roading. There was also a \$150k provision for recycling recovery costs along with after year-end adjustments totalling \$104k for new bin roll out costs within refuse.
*10 Expenditure - Parks & Reserves Maintenance - The \$2.1m reduction in forecast expenditure includes a \$3.1m budget for Coronet Forest Harvest Costs of which \$627k was transferred to Capex to capitalise the purchase of the 25% share from CODC. The remaining \$2.4m was deferred to 19/20 offset with income for log sales which was also deferred (See note *4 Operational Income). Capex reclassified to OPEX as an after year end adjustment included \$565k for the responsible camping strategy costs (offset with funding from MBIE per note *1 Income Grants and Subsidies) and \$276k for new trees/planting, venues maintenance and remedial repairs.
*11 Expenditure - Grants - \$365k unfavourable variance is due to an affordable housing contribution payment to QLCHT (Offset with Income - Grants & Subsidies Note. 1 for \$478k from Bullendale)
*12 Expenditure - Interest - Interest expense is favourable due to lower than expected interest rates and \$1.6m elimination of the internal interest charge as part of the 2018:19 Financial Accounting Annual Report entries.
*13 Expenditure - Depreciation - \$2.4m variance due to the revaluation process which is required as apt of the 2018:19 Financial Accounting Year End entries.

Commentary - Capital Revenue and Expenditure Full Year Actuals to Full Year Re-forecast Adjustments

*14 Income - Development Contributions - For the 2018:19 financial year there was 604 development contributions invoices generated totalling \$14.1m
*15 Income - Vested Assets - For the 2018:19 financial year there was \$36.1m of vested assets which is made up of \$27.9m for 3 Waters, \$6.6m for Roading and \$1.5m for Land.
*16 Income - Grants & Subsidies Capex - Actual NZTA recoveries \$601k greater than forecast. Includes accruals for Ladies Mile HIF \$171k and Quail Rise HIF \$73k (recovered from NZTA in July 19 along with additional funding via the reallocation of NZTA renewals budgets.
*17 Income - Operational - Income of \$3.0m includes \$5.2m for Gain/(Loss) on revaluation of investment property at Lakeview, which has been moved from Operation Income and \$0.7m income received from CODC for the purchase of 25% of Coronet Forest. There was also a year end adjustment for a \$2.8m loss on fair value of financial instruments (Total \$3.0m transferred from Operational income per note *4)