

Finance Management Report

2019:20 Quarter 2 Full Year Re-Forecast

Operating Expenditure and Revenue

Description	Full Year Q2 Re-forecast	Full Year Budget	Variance to Budget
REVENUE			
<u>Operating Revenue</u>			
Income - Rates	85,136,522	85,136,522	0
Income - Grants & Subsidies	8,742,784	6,119,688	2,623,097 1*
Income - NZTA External Cost Recoveries	4,464,924	3,821,077	643,847 2*
Income - Consents	13,678,084	14,421,603	(743,519) 3*
Income - External Cost Recovery	1,060,518	1,320,518	(260,000) 4*
Income - Regulatory	7,364,789	6,860,284	504,505 5*
Income - Operational	29,209,629	33,972,502	(4,762,873) 6*
Total Operating Revenue	149,657,251	151,652,194	(1,994,943)
EXPENDITURE			
<u>Personnel Expenditure</u>			
Expenditure - Salaries & Wages	33,234,364	34,607,578	1,373,214 7*
Expenditure - Salaries & Wages Contract	6,374,436	4,743,781	(1,630,655) 8*
Expenditure - Health Insurance	394,219	371,950	(22,269)
Total Personnel Expenditure	40,003,019	39,723,309	(279,710)
<u>Operating Expenditure</u>			
Expenditure - Professional Services	4,847,702	4,565,705	(281,997) 9*
Expenditure - Legal	3,431,383	3,384,841	(46,542)
Expenditure - Stationery	487,914	412,300	(75,614)
Expenditure - IT & Phones	997,219	921,840	(75,379)
Expenditure - Commercial Rent	2,659,142	2,530,226	(128,916) 10*
Expenditure - Vehicle	701,600	724,700	23,100
Expenditure - Power	3,164,060	3,335,353	171,293 11*
Expenditure - Insurance	1,431,279	1,136,700	(294,579) 12*
Expenditure - Infrastructure Maintenance	32,152,671	28,673,153	(3,479,519) 13*
Expenditure - Parks & Reserves Maintenance	9,481,553	13,745,291	4,263,737 14*
Expense - External Cost On Chargeable	1,111,292	1,291,292	180,000 15*
Expenditure - Grants	7,657,543	7,657,543	0
Expenditure - Other	15,519,974	15,193,473	(326,501) 16*
Total Operating Expenditure	83,643,334	83,572,417	(70,917)
<u>Interest and Depreciation</u>			
Expenditure - Interest	7,309,473	11,421,051	4,111,578 17*
Expenditure - Depreciation	26,518,855	26,518,855	0
Total Interest and Depreciation	33,828,328	37,939,906	4,111,578
Total Expenditure	157,474,682	161,235,632	3,760,951
NET OPERATING SURPLUS/(DEFICIT)	(7,817,431)	(9,583,439)	1,766,008

Capital Revenue and Expenditure

Description	Full Year Re-forecast	Full Year Budget	Variance to Budget
<u>Capital Revenue</u>			
Income - Development Contributions	19,550,178	19,421,515	128,664
Income - Vested Assets	10,733,077	10,733,077	0
Income - Grants & Subsidies Capex	8,739,635	26,226,083	(17,486,448) 18*
Income - Operational	24,800,000	27,800,000	(3,000,000) 19*
Total Capital Revenue	63,822,890	84,180,675	(20,357,785)
<u>Capital Expenditure</u>			
Projects/Asset Purchases	136,888,759	163,430,878	27,377,752 20*
Debt Repayment	16,890,000	16,890,000	0
Total Capital Expenditure	126,401,007	153,778,759	27,377,752
NET CAPITAL FUNDING REQUIRED	62,578,117	69,598,084	7,019,967
Total External Borrowing	100,000,000	187,082,000	

Commentary - Operational Full Year Re-forecast to Full Year Budget Adjustments

*1 Income - Grants & Subsidies - There is \$1.1m additional Rooding income which includes \$824k for Emergency Reinstatement works (estimated NZTA subsidy for the December and February flooding events) and \$135k for Environmental maintenance (offsets in Infrastructure maintenance costs - See Note. 13 below) and payments totalling \$1.4m from MBIE for TIF (Tourism Infrastructure Fund) funded toilets in the district. There is additional \$125k within Refuse for the Central Government Landfill levy to subsidise funding for waste education/reduction initiatives (also offsets in Infrastructure maintenance costs - See Note. 13 below)
*2 Income - NZTA External Cost Recoveries - Following an internal chargeable time review there is an expected \$286k increase for CAPEX recoveries and OPEX (NZTA recoveries) of \$358k
*3 Income - Consents - There is \$753k net reduction in P&D consenting revenue (Engineering \$495k, Building \$133k, Resource Management \$225k) based on a 6 month actual run rate review and less than budgeted number of resource consent applications received.
*4 Income - External Cost Recovery - Parks planning has \$260k decrease in expected technical consultants use which are on-charged (Offset below in Expenditure - On chargeable Note 15).
*5 Income - Regulatory - There is continued high demand for pay and display car parking \$615k increase which is offset by (\$156k) reduction in campervan infringements due to the responsible camping initiatives which has led to better compliance.
*6 Income - Operational - There is \$5.2m Coronet Harvest income deferred to 2020:21 in line with Harvest costs deferral to align with timing of the harvest programme. The Alpine Aqualand pool closure will see a (\$600k) reduction of income and (\$240k) for swim lessons. There is an expected increase in income of \$300k for turnover rent lease income, \$190k gym membership revenue and \$170k additional Wanaka Pool Admissions/memberships. There is \$612k additional Refuse Landfill Levy income for Gas Capture (which will be offset with the new gas capture levy costs from 1st January 2020) and \$300k Camp Ground License Fees (the fees are not forecast to reduce as soon as previously expected due to timing of the Lakeview redevelopment). These are offset with a reduction of (\$300k) for Church St Wilson Parking due to lower occupancy and bike parking.
*7 Expenditure - Salaries & Wages - There is an expected \$1.4m saving based on a run-rate analysis which includes an allowance for vacancies.
*8 Expenditure - Contract Staff - There is an expected \$1.3m additional expenditure for increase use of contractors. This is partially to cover vacancies, and also consenting contractors (partially offset with income) and capital programme project management costs (largely offset with capex recoveries). There is also \$192k additional non-chargeable disbursements costs within P&D
*9 Expenditure - Professional Services - There is an expected increase in Professional Services fees for CEMARS certification as part of the Climate change plan, Inventory analysis and road mapping and the Spatial Plan.
*10 Expenditure - Commercial rent - There is \$160k additional QLDC rates relating partly to the re-zoning of the Lakeview Site Lynch Block and Cemetery Road future development area.
*11 Expenditure - Power - There is an expected \$179k reduction in electricity and gas expense from the Alpine Aqualand pool closure along with \$64k savings at Wanaka Rec centre. This is offset by additional power costs for Arrowtown Pool heating \$60k and Project Shotover waste water.
*12 Expenditure - Insurance - There has been a Three Waters Insurance premium increase of \$295k due to current market rates
*13 Expenditure - Infrastructure Maintenance - There is expected to be additional \$1.0m Rooding Emergency Reinstatement Costs for December and February flooding events, \$230k additional Streetlighting costs and \$439k internal time re-charges (which is partially offset with NZTA subsidy income in Note. 1 above). Refuse has a \$1.4m increase which includes landfill costs of \$838k based on current volumes and new gas capture levy and \$696k waste contract recycling/collection costs which is offset with additional \$0.7m income (See Note 6. above Income - Operational). Wastewater has additional \$179k for sludge disposal.
*14 Expenditure - Parks and Reserves Maintenance - Coronet forest costs has been deferred \$4.5m (Offset with Note 6. income - Operational) due to timing of the contract start date for the harvest. This is offset by additional costs expected for increased building and ground maintenance of \$194k which is predominately at the Lakeview site.
*15 Expenditure - External Cost On Chargeable - Reduced cost for Parks Planning On-Chargeables of \$260k offset with the same reduction in income (See offset in Note 4. Income External Cost Recovery). Infrastructure Admin increase in On-Chargeable consultants of \$110k offset with increased income. \$30k budget not required for Building Services Fire services oncharged which is no longer used.
*16 Expenditure - Other - There is \$428k increase within Regulatory for CCTV associated costs which were not budgeted and increased Cougar patrol costs. This is offset by less pool chemical costs for Alpine Aqualand due to pool closure of (\$116k).
*17 Expenditure - Interest - Re-forecast cost has been adjusted due to lower than expected interest rates and timing of capex spend.

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

*18 Income - Grants & Subsidies Capex - The variance of \$17m is due to NZTA funding not yet approved or for deferred projects including Queenstown Arterials, Queenstown Town Centre Pedestrianisation, Queenstown Public Transport Hub in CBD, Ladies Mile HIF Rooding, Travel Management Queenstown, Park & Ride Transport Services, Water Taxi/Ferry Service, Lakeview Development Transportation and Wanaka Town Centre Masterplan. In addition Wakatipu Active Travel is now largely being funded by NZTA directly.
*19 Income - Operational - \$3m Lakeview net receipts has been deferred as per the recently signed Developer Agreement with Ninety Four Feet Ltd.
*20 Project Expenditure - The Full Year Q2 Reforecast budget has been updated to reflect the 2018:19 carry forwards, new externally funded projects, brought forward and deferred budgets, 3 Waters Project Management Office (PMO) adjustments and other adjustments previously approved by Council.