

Finance Management Report

For the 6 Month Period Ended 31 December 2016

Operating Expenditure and Revenue

Description	% of Year Completed				50%
	Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Adjusted Budget	YTD Actuals to Full Year Budget
REVENUE					
<u>Operating Revenue</u>					
Income - Rates	31,312,268	31,262,183	50,085	62,524,366	50%
Income - Grants & Subsidies	2,846,934	2,485,540	361,394	5,693,925	50% *1
Income - NZTA External Cost Recoveries	789,622	799,275	(9,654)	1,598,551	49%
Income - Consents	4,106,507	3,616,505	490,002	7,233,011	57% *2
Income - External Cost Recovery	870,162	372,380	497,782	744,761	117% *3
Income - Regulatory	1,934,528	1,539,795	394,733	3,079,591	63% *4
Income - Operational	14,626,571	11,010,650	3,615,921	20,654,537	71% *5
Total Operating Revenue	56,486,591	51,086,329	5,400,262	101,528,741	56%
EXPENDITURE					
<u>Personnel Expenditure</u>					
Expenditure - Salaries & Wages	9,988,064	10,179,354	191,290	20,316,369	49% *6
Expenditure - Salaries & Wages Contract	946,488	170,770	(775,718)	341,540	277% *6
Expenditure - Health Insurance	74,364	87,500	13,136	175,000	42%
Total Personnel Expenditure	11,008,916	10,437,624	(571,291)	20,832,909	53%
<u>Operating Expenditure</u>					
Expenditure - Professional Services	1,132,986	1,430,110	297,124	2,894,639	39% *7
Expenditure - Legal	956,602	485,392	(471,210)	1,067,795	90% *8
Expenditure - Stationery	162,123	215,325	53,202	430,650	38%
Expenditure - IT & Phones	275,493	256,866	(18,627)	507,692	54%
Expenditure - Commercial Rent	789,242	951,783	162,541	1,903,566	41% *9
Expenditure - Vehicle	232,880	274,460	41,580	548,920	42%
Expenditure - Power	1,325,435	1,366,302	40,866	2,784,511	48%
Expenditure - Insurance	374,895	429,978	55,083	868,293	43%
Expenditure - Infrastructure Maintenance	9,986,842	9,432,303	(554,539)	19,416,538	51% *10
Expenditure - Parks & Reserves Maintenance	2,151,835	2,457,686	305,851	5,133,396	42% *11
Expense - External Cost On Chargeable	850,044	362,366	(487,678)	724,732	117% *3
Expenditure - Grants	3,015,252	2,922,057	(93,196)	5,280,583	57%
Expenditure - Other	5,007,413	5,412,387	404,974	10,874,254	46% *12
Total Operating Expenditure	26,261,041	25,997,014	(264,027)	52,435,569	50%
<u>Interest and Depreciation</u>					
Expenditure - Interest	2,576,735	4,718,807	2,142,071	9,437,613	27% *13
Expenditure - Depreciation	11,402,968	11,402,968	0	23,006,523	50%
Total Interest and Depreciation	13,979,703	16,121,774	2,142,071	32,444,136	43%
Total Expenditure	51,249,659	52,556,412	1,306,753	105,712,615	48%
NET OPERATING SURPLUS/(DEFICIT)	5,236,931	(1,470,084)	6,707,015	(4,183,874)	

Capital Revenue and Expenditure

Description	Year to date Actual	Year to date Adjusted Budget	Year to date Variance	Full Year Adjusted Budget	YTD Actuals to Full Year Budget
<u>Capital Revenue</u>					
Income - Development Contributions	4,455,121	3,343,961	1,111,161	6,687,921	67% *14
Income - Vested Assets	0	2	(2)	10,500,200	0%
Income - Grants & Subsidies Capex	2,080,490	2,732,979	(652,489)	9,030,645	23% *15
Total Capital Revenue	6,535,611	6,076,941	458,671	26,218,766	25%
 <u>Capital Expenditure</u>					
Projects/Asset Purchases	15,928,876	26,358,492	10,429,616	61,373,572	26% *16
Debt Repayment	0	0	0	16,890,000	
Total Capital Expenditure	15,928,876	26,358,492	10,429,616	78,263,572	
 NET CAPITAL FUNDING REQUIRED	 9,393,265	 20,281,551	 9,970,945	 52,044,806	
 <u>External Borrowing</u>					
Loans	0			11,783,000	
Bonds	82,000,000			150,000,000	
Total Borrowing	82,000,000			161,783,000	

Attachment A Commentary - Operational

<p>*1 Income - Grants & Subsidies - The significant budget within this category is the operational roading subsidy received from NZTA (full year \$4,050,284), the mid year position is a variance of 1% from budget. Other significant transactions within the first half of 2016/2017 were a \$300,000 grant for the Wanaka Recreation Centre from The Community Trust of Otago and an estate settlement of \$113,461 gifted for a project within Parks and Reserves. The year to date positive variance is driven by four factors, the estate settlement, \$121,630 positive variance for the Affordable Housing development agreement, which is then passed on to the Housing Trust and a \$54,609 grant received from Community Lakes Trust as a contribution towards the grant to Shotover Primary School hall.</p>
<p>*2 Income - Consents - the majority of this budget (full year \$6,090,069) is generated by the internal time recovered via the building and resource consent process. Year to date at 104% of budget, a positive variance of \$123,344. Other positive variances for the first half of the year being \$251,125 for the building consent process and \$70,767 of additional revenue for the administration fee charge, which is volume driven.</p>
<p>*3 Income - External Cost Recovery - The vacancies in the Resource Consenting Department has driven outsourcing to external consultants for the processing of Resource Consents. This management reporting line shows the income received from on-charging these costs. The expense matching this income is below in the expense line - external cost on chargeable. The difference between income and expense is due to timing of raising the invoice for on-charging.</p>
<p>*4 Income - Regulatory - A very strong first half of year for regulatory as a result of growth and additional contracted resource. The largest revenue streams within this category (inclusive of debt provision movement and waivers) are detailed below; liquor licensing (full year budget of \$560,000) year to date \$351,289 or 25% above budget.</p> <p>Parking facilities - parking machines and rentals -full year budget of \$951,000 - year to date \$589,299 or 24% above budget.</p> <p>Parking enforcement - full year budget of \$803,910 - year to date \$551,612 or 37% above budget</p> <p>Liquor licensing - full year budget of \$560,000 - year to date \$351,289 or 25% above budget</p> <p>Freedom Camping has also had a strong result with \$154,076 of infringements or 8% above budget.</p>
<p>*5 Income - Operational - The larger budgets within this category are:</p> <p>Refuse -full year budget \$4,590,361 - year to date \$545,079 or 24% above budget. This is due to increases in volume and is offset by a corresponding lift in expense of \$562,852.</p> <p>Property - full year budget \$3,959,635 - year to date \$370,591 or 22% above budget. This is driven by ongoing lakeview cabin income \$208,513 and increase in commercial fees of \$77,833 as a result of rent reviews.</p> <p>Governance - full year budget \$3,851,763 - year to date a positive variance of \$847,293 or 27% above budget. This is the Queenstown Airport final dividend from 2015/16. A further interim fixed dividend of \$750,000 is paid in February.</p> <p>Sport & Recreation - a full year budget of \$3,217,614 - year to date a positive variance of \$302,777 or 20% above budget. 50% of this positive variance is driven by growth in usage of both Alpine Aqualand and the health and fitness centre, \$152,950. The balance of the lift is through growth in volume and margin for the retail arm of QEC \$55,159 and increases in volume for Swim School of \$54,861.</p> <p>Parks & Reserves - full year budget \$1,821,064 - year to date \$571,580 or 63% above budget. This is due to increased turnover based rents totalling \$1,271,756 for the period which is \$554,756 or 77% above budget.</p>
<p>*6 Expenditure - Salaries & Wages and Contract - The favourable YTD variance for salaries and wages is due to carrying vacancies, particularly within Planning and Development (\$120,905) . Conversely, this driven the requirement to use contract staff, particularly in the building control department which has resulted in contract staff being employed (\$711,582) and is offset in increased revenue on the internal recovery line.</p>
<p>*7 Expenditure - Professional Services - the larger budgets within this category sit within the following departments:</p> <p>Roading - full year budget of \$700,022 - year to date a positive variance of \$207,616 or 59% underspend on budget. This is expected to decrease and align as spring projects are completed.</p> <p>Policy - full year budget of \$662,735 - year to date a negative variance of \$54,370 or 16% overspend on budget. This is due to timing changes from the District Plan Review.</p> <p>Parks & Reserves - full year budget \$223,920 - year to date a positive variance of \$13,807 or 17% due to timing of the Parks and Reserves re-tender process.</p> <p>Property - full year budget \$222,840 - positive variance of \$59,656 due to timing of budget for legal road closures and residential land reviews.</p>
<p>*8 Expenditure - Legal - the main driver for the legal budget in 16/17 sits with the Resource Consenting team (\$220,750) for appeals and the District Plan review process (\$149,000). The Resource Consent appeal budget year to date is currently underspent by 16% or \$17,751, it is expected that this will be utilised in the coming months. The District Plan review is currently overspent by \$292,449 the drivers being, a change in timing of the District Plan review and increased costs. The first half of the year has included work on defending weathertightness claims that has also exceeded the budget by \$238,097.</p>
<p>*9 Expenditure - Commercial Rents - the larger budgets within commercial leases are the Council Offices budget, full year of \$593,870, year to date underspent by \$83,133 as a result of timing of the additional accommodation space. Campground cabin leases \$344,621 is underspent by \$32,819 due to a new lease contract being signed directly with CCR for the onchargeable cabins.</p>
<p>*10 Expenditure - Infrastructure Maintenance - the larger budgets within this category are:</p> <p>Roading - full year budget of \$6,061,340 - year to date a negative variance of \$257,382 or 8% overspent on budget. This is a result of budget timing and will correct the second half of the year.</p> <p>Refuse - full year budget of \$6,128,438 - year to date a negative variance of \$562,852 or 19% overspent on budget. This is due to increased volume with the majority offset by additional revenue of \$545,079</p>

Attachment A

Wastewater - full year budget \$3,706,272 - year to date a negative variance of \$47,289 or 3%. A budget adjustment is being prepared for AP16/17 to transfer \$140,000 of budget from water supplies to wastewater and will be processed in the second half of the year.

Water Supplies - full year budget \$3,216,708 - positive variance of \$282,404. This positive variance is partly due to a coding error explained above.

Storm water - full year budget \$247,610 - positive variance of \$9,489 or 8% underspent on budget.

***11 Expenditure - Parks & Reserves** - The majority of this budget sits within Parks and Reserves (full year budget \$4,706,672), year to date position of a positive variance \$294,990 or 13% underspent. The majority of this positive variance is the timing of the Skyline tree clearing project of \$200,000, which was budgeted for the first half of the year and is now programmed for March 2017.

***12 Expenditure - Operational** - the larger budgets within this category are:

Policy - full year budget of \$1,382,234 - year to date a negative variance of \$27,522 or 5% overspend on budget. The main driver for this small variance is the timing of the District Plan review with commission costs and advertising costs above budget by \$14,265

Events Strategy - full year budget of \$872,507 - year to date a positive variance of \$7,154 or 3% underspent on budget. This will correct through the second half of the year.

Human Resources - full year budget of \$744,828 - year to date a positive variance of \$114,683 or 31% underspent on budget. Two areas are driving this underspend, recruitment fees \$68,661 and staff training \$52,774. It is expected that both of these will be utilised in the second half of 2016/17.

Knowledge Management - full year budget of \$728,665 - year to date a positive variance of \$22,490 or 6% underspent on budget. Due to the growth of the organisation, costs within this area have been climbing, particularly in relation to software licences in terms of the types of licences required and the volume increases for the licences that we currently hold. A full reforecast of this budget is currently underway.

Grants & Levies - full year budget of \$576,862 - year to date a positive variance of \$3,064 or 1% underspent on budget.

Other variances within this category are By-law Enforcement \$81,314 or 44% underspent on budget, this is due to the campervan patrol budget timing and a lower level than expected of court lodgements. Building control subscriptions budget which is \$54,599 or 270% overspent due to the additional IANZ audits of \$50,838.

***13 Expenditure - Interest** - the positive variance is a direct result of lower than expected borrowing as a result of changes to the capital programme as well continued low interest rates.

Commentary - Capital Revenue and Expenditure

***14 Income - Development Contributions** - greater development than budgeted has driven this positive variance.

***15 Income - Grants & Subsidies Capex** - The negative variance for the first half of the year is related to budget timing around the Eastern Arterial Road (Hawthorne Drive).

***16 - Project Expenditure** - The budget reforecast from November has been implemented into the capital programme reducing it to \$61,373,572. Year to date the biggest variances to budget in dollar terms are detailed below:

Frankton Flats Stormwater construction to date no spend due to the timing of the construction for Hawthorne Drive (EAR)

Wanaka Recreation Centre \$1,380,738 underspent, the project has been completed with the final account currently under preparation

Project Shotover Stage 1 underspend \$648,652.33 or 13.68% behind budget it is expected to correct in the second half of the year

Wanaka Aquatic Centre currently ahead of budget by \$678,675 due to budget phasing, overall only at 21% of the total cost