

QLDC Council
29 October 2020

Report for Agenda Item | Rīpoata mot e Rāraki take : 3

Department: Property & Infrastructure

Title | Taitara 2020/21 Capital Works Programme – First Reforecast

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

The purpose of this report is to seek approval of proposed amendments to Queenstown Lakes District Council's capital works programme as set out in the 2020/21 Annual Plan.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report and;
2. **Approve** the budget changes proposed in Attachment A.

Prepared by:



Pete Hansby
General Manager
Property and Infrastructure
21/10/2020

Reviewed and Authorised by:



Mike Theelen
Chief Executive
21/10/2020

CONTEXT | HORPOAKI

- 1 Queenstown Lakes District Council (“Council”) uses a structured reforecasting process to ensure its capital expenditure is appropriately managed and transparently reported throughout the financial year. The reforecast process provides visibility of expected changes to the Annual Plan, reasons for such changes, and any arising risks or impacts. This report presents the first reforecast of the 2020/21 financial year.
- 2 The need to reforecast is driven by a number of factors, including but not limited to, impacts arising from Covid-19, dependencies with third-party activity and funding (in particular Waka Kotahi NZTA and developers), unforeseen delays or scope changes during planning and design, and the recent advancement of shovel-ready initiatives.
- 3 The final Annual Plan 2020/21 acknowledged that the future confirmation of any projects under the government stimulus package would require Council to reprioritise some of its existing planned capital programme, and signalled a number of projects that could be impacted (pages 8 and 9). This forecast makes these adjustments, on the back of the funding subsequently received from the government. As noted previously, this largely impacts on Council’s and the market’s capacity to undertake the work, and investment dependencies which have necessitated/enabled some programme adjustment.
- 4 The approved adjusted 2020/21 Annual Plan budget is \$294.4m. It is recommended that this **budget be reduced by \$117.2m** to \$177.2m. The recommended budget provides for a manageable opening position for the next ten year plan period, ensures expenditure is well aligned to forward planned works, and is realistic in the context of delivery capacity and capability.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Summary of changes

- 5 The 2020-2021 Annual Plan Budget was \$186m. The current 2020/21 Adjusted Budget is now \$294m which includes \$68m of carry forwards from 2019:20, \$37m for Crown Infrastructure Partner funded projects (Queenstown Arterials Stage 1 and Street Upgrades) and \$1m for Provincial Growth funded projects (Community Facility upgrades). A reduction of \$115.4m is recommended in this report largely due to timing of delivery across the various programmes and impact of reprioritisation within the 2021-2031 Ten Year Plan.
- 6 The net \$117.2m reduction is comprised of new projects, surplus budget, deferral of planned expenditure, and variations to existing approved budgets (Table 1 refers). Notable variances are briefly discussed in the report to follow, and detail is provided in the supporting schedule (Attachement A refers).

Table 1: summary of 2020/21 capital budget changes (Council-wide)

Category	Description	Impact (\$m)
New	A new expenditure need arising during the financial year. Council may consider these suitable due to a change in legislation or some other business environment changes to those understood at the time of adopting the Annual Plan.	0.70

Category	Description	Impact (\$m)
Surplus	In stream projects, which have budget adjustments, and/or transfers to other projects, and includes projects transferred into the 2021/31 LTP for completion, as projects, or parts of wider planned work programmes.	(80.43)
Deferral	Expenditure will not occur within the current financial year but is planned in future financial years. Not yet included in the draft Ten Year Plan. Deferred budgets cannot be used to fund other projects in the current financial year.	(38.17)
Increase/ Decrease	A variation to the budget allocated through the Annual Plan process is forecasted, and addressed through the reallocation of other budgets.	0.66

Specific areas of adjustment are outlined below.

Community Services (\$4.8m)

- 7 The Queenstown Gardens Development Plan will be provided for through the Queenstown Gardens Entrance project budget, and accordingly \$1.2m is identified as surplus in this financial year and picked up in the 2021-31 LTP. Upgrades to the Shotover Country sports field have been identified as not required, resulting in a further \$414k surplus.
- 8 Planned expenditure for the Wānaka Recreation Centre and Queenstown Events Centre Masterplan implementation has been reduced by \$3.2m (with \$250k held to enable a community leasing opportunity to be investigated).

Buildings and Libraries (\$2.8m)

- 9 A new project is proposed to ensure QLDC complies with Government's Healthy Homes standards. A total budget of \$700k is requested for this purpose. Individual property projects totalling \$130k are not required, with the budgets to be transferred to the proposed Healthy Homes project. An additional \$660k is required for the Luggate Hall replacement, and is to be funded from Wānaka Land Sale Reserve.
- 10 Funding for Project Connect has also been deferred, pending ongoing discussions with Ngai Tahu and a longer term delivery timeframe, though some funding is retained to support ongoing investigations for Project Manawa (\$622k).

Infrastructure (\$98.39m)

- 11 Infrastructure projects under the control of the Project Management Office (PMO) have a revised recommended budget of \$44.8m excluding the Lakeview area programme; this represents a net reduction of \$36.1m from the 2020/21 adjusted Annual Plan. An additional \$15.1m is required to cover increased project delivery costs within the current financial year, with \$2.4m of this increase funded from programme contingency. The projected increases are offset by \$48.76m of deferrals, \$38.6m is provided for in the draft ten year plan, with a further adjustment to the draft plan of \$10.1m required.
- 12 Solid Waste has a total net variance of (\$1.7m) consisting mostly of a reduction to the short-term budgets required for Recycle Centre plant upgrades. Additional funding of \$342k has been provided to enable transfer station upgrades, partially funded from a small number of underground waste facilities, projects which are now not proceeding.

13 Transport has a total net variance of (\$30.5m). \$13.0m relates to the Crown linfastructure Partner projects for Queenstown Arterials and Street Upgrades. \$5.4m relates to the Queenstown Public Transport Hub in the CBD which is budgeted for within the Ten Year Plan. \$1.8m for Park & Ride and \$1m for Ladies Mile Masterplan is no longer required due to the NZ Upgrade government project (NZ UP) which picks up these projects. \$2.1m has been reduced for Queenstown Parking improvements as Boundary St carpark is budgeted for in the Ten Year Plan. \$3.4m has also been deferred to the 2021-2031 Ten Year Plan for Quail Rise Hawthorne Drive projects due to developer dependencies. \$547k has been reallocated from Wānaka Minor Improvements to Ballantyne Road as per approval in the 3 September 2020 Chief Executive report.

Storm Water (Excluding PMO Projects)

14 Decrease in 2020/21 budget of \$4.0m due to reallocations to PMO Storm Water Bundle Projects including \$2.3m from Mount Aspiring College Storm Water drainage and \$1.3m for Wiley Road Beacon Point New Storm Water Outlet as signalled in the 2019/20 reforecasts.

Waste Water (Excluding PMO Projects)

15 Decrease in 2020/21 budget of \$10.4m. This includes \$8.4m for Cardrona New Wastewater Scheme (which is now budgeted for in 2021/22), \$1.1m for Luggate reticulation Extension (which is deprioritised in 2020/21 and now part of a new project in the Ten Year Plan) and \$947k for Coneburn Valley Wastewater Network which is reduced to \$150k to allow for the business case and planning, based on a revised network requirement in the area.

Water Supply (Excluding PMO Projects)

16 Decrease in 2020/21 budget of \$15.7m. This includes \$6.6m for Arrowtown New reservoir, \$3m for Frankton Water Supply Ring Main, and \$3m for Luggate New water treatment plan, pump station and pipeline to Wānaka airport which have budgets re-programmed in the Ten Year Plan.

PMO (Project Management Office) Projects

17 Decrease in 2020/21 budget of \$47.3m. The majority of these are timing variances with \$28.5m signalled to be included in the draft Ten Year Plan and a further \$19.2m of deferrals which will need to be added onto the Ten Year Plan. \$2.4m was reallocated from the Programme Contingency budget to North Wanaka New Wastewater Conveyance Scheme and \$ 547k was allocated to Ballantyne road Reseal from Wānaka Minor Improvements per the 3 September 2020 Chief Executive Report.

18 The Lakeview programme includes works associated with the approved subdivision under the Development Agreement and a wider network improvement in the network in that part of the town. Revisions in design through the development programme have slowed the speed of the programme, including the flow-on to improvements in the immediate Lakeview vicinity. \$11.2 million has been deferred into the future LTP.

Options

- 19 Option 1 Approve the changes to the 2020/21 proposed capital works programme as proposed in Attachment A.

Advantages:

- 20 Ensures Council's capital expenditure is aligned to the most up to date project forecasting. This alignment ensures the allocation of resourcing and expenditure is optimised, overspends and underspends are appropriately managed, and forward planning is based on the most accurate information available.

Disadvantages:

- 21 Changes to the timing, cost, and/or completion of some previously approved projects may be perceived as disadvantageous by the community and supply market.
- 22 The deferral of some works into the next ten year period may require further reprioritisation of expenditure to meet capacity and funding constraints. This is largely mitigated by the significant surplus identified through this reforecast process.

- 23 Option 2 Do not approve the changes (do nothing option)

Advantages:

- 24 None identified.

Disadvantages:

- 25 Investment will not be prioritised to the greatest area of need, and planned projects that do not have sufficient budget will be at high risk of failure.

- 26 Option 3 Approve only some of the changes to the 2020/21 proposed capital works programme.

Advantages:

- 27 Provides some ability to manage the impacts of overspends against current budget and, where possible, the opportunity to take steps to keep capital expenditure within overall annual budgets.

Disadvantages:

- 28 As per option one, though potentially to a lesser extent depending on what projects are approved for reprioritisation.

- 29 This report recommends **Option 1** for addressing the matter.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 30 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because the proposed adjustments are not assessed as having a material impact to the district's environment or people, and will improve alignment of planned expenditure to Council's capability and capacity.
- 31 Formal consultation on all proposed changes would compromise Council's ability to deliver the planned capital works within the current financial year. Additionally, the 2020/21 Annual Plan indicated the likely need to reforecast expenditure in the event 'shovel ready' bids were successful.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 32 This matter relates to the financial risk category. It is associated with 'SR1 Current and Future Development needs of the Community' within the QLDC Risk Register. This risk has been assessed as having a high inherent risk rating.
- 33 The approval of the recommended option will support the Council by allowing the risk to be maintained by ensuring capital expenditure is appropriately prioritised based on the most current information available.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 34 Approval of the recommended option will reduce planned 2020/21 capital expenditure to \$177.2m (a \$117.2m reduction from the adjusted Annual Plan budget of \$294.4m). Resuting deferrals will necessitate a reprioritisation of planned expenditure beyond the current financial year.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

- 35 The recommended option is consistent with the principles set out in Council's Significance and Engagement Policy. Although the decision is in respect to strategic assets (namely, water supply infrastructure, sewage treatment plants, and the roading network) the decision does not involve the transfer of ownership, sale or long term lease of these strategic assets.
- 36 This matter relates to both the 2018 Ten Year Plan and 2020/21 Annual Plan, as it concerns changes to projects consulted and approved via those planning processes.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

- 37 The recommended option:
- a. Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a

way that is most cost-effective for households and businesses by ensuring that the right projects are completed at the right time;

- b. Is consistent with the Council's plans and policies; and
- c. Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Summary of proposed project changes - September 2020 Capex Reforecast
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