

QLDC Council

14 December 2023

Report for Agenda Item | Rīpoata moto e Rāraki take [2]

Department: Assurance, Finance & Risk

Title | Taitara : Capital Works 2023-24 December Reforecast

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to seek approval of proposed amendments to Queenstown Lakes District Council's ('OLDC) capital works programme budgets as set out in the 2023/24 Annual Plan.

Executive Summary | Whakarāpopototaka Matua

Following approval in September 2023 of the carry forward budgets totalling \$43.8M from 2022/23, the 2023/24 approved budget currently sits at \$245.4M. It was noted within the carry forward approval process that the next step was to undertake a further review of the revised 2023/24 programme to ensure that the programme is deliverable and within funding limits, which will involve some re-prioritisation of projects. The review has been undertaken in conjunction with the capital planning required for the 2024-34 Long Term Plan (LTP) Process.

Protecting long term affordability has been a key focus of this review, whilst ensuring deliverability of the current projects to which QLDC is committed. The approach used in preparing the draft LTP budgets alongside the revisions to the 2023/24 programme was to re-prioritise projects based on the following "baseline" criteria: committed works; maintaining existing levels of service; compliance based; essential renewals; critical enablers or where funded by an external agency. Budgets have now been realigned based on these criteria and also take into account other factors including: revised project delivery timeframes; internal resource capabilities; contractor availability and revised pricing.

If approved, these changes will deliver a total decrease of \$67.3M to the 2023/24 capital plan budgets which results in a revised total of \$178.0M. Of the reduction, \$11.5M of this is within projects that do not meet the LTP24 "baseline" criteria. The decrease to 2023/24 is offset with increases to future years which will be re-programmed within the draft 2024-34 LTP.

Recommendation | Kā Tūtohu

That the Council:

1. **Note** the contents of this report;
2. **Approve** all proposed budget changes in accordance with Attachment A of the 'December 2023 Capital Works Reforecast' report; and
3. **Note** that approval of recommendation (2) will be offset with increases which will be incorporated into the draft LTP2024-34 budgets.

Prepared by:



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Projects
17 November 2023

Reviewed and Authorised by:

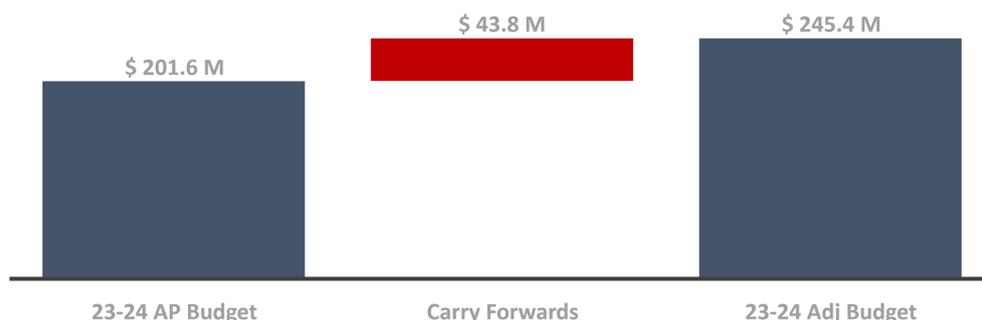


Name: Stewart Burns
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17 November 2023

Context | Horopaki

1. Queenstown Lakes District 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 2023/24 financial year.
2. Due to significant funding constraints within the first two years of the 2024-34 draft Long Term Plan a number of current 2023/24 projects are proposed to be reprogrammed to later years due to a stricter re-prioritisation approach which requires all non-essential projects to be deferred. This will bring a focus on delivering the essential projects which are either underway, required to maintain existing levels of service, to meet required compliance levels, to enable third party funding or critical enablers.
3. In addition to re-programming described above, the need to reforecast may be driven by a number of other factors, including but not limited to:
 - Impacts arising from disrupted supply chain issues and pricing;
 - Unknown/poor ground conditions;
 - Dependencies with third-party activity and funding (in particular Waka Kotahi NZTA, MBIE and developers);
 - Unforeseen delays or scope changes during planning and design including community engagement on proposed options;
 - The need to reprioritise project spend for urgent initiatives;
 - The advancement of shovel-ready initiatives and Kā Huanui a Tāhuna alliance delivery agreement.
4. Current community projects which remain underway due to attracting third party funding include Wānaka Lakefront Development Plan Stage 5 (proposed to separate out as a new project with \$1.45M budget from the existing stage 2 works which are completing this month and Glenorchy Carpark and Marina Improvements (no changes proposed in this report but the timing of delivery will likely be across 2023/24 and 24/25 so it will need some phasing into 24/25 due to contractor pricing which is currently being reviewed).
5. The existing approved 2023/24 Annual Plan budget is \$245.4M which includes \$43.8M of carry forwards from 2022/23. This report proposed a net reduction of \$67.3M which will bring the 2023/24 approved adjusted budget to \$178.0M.

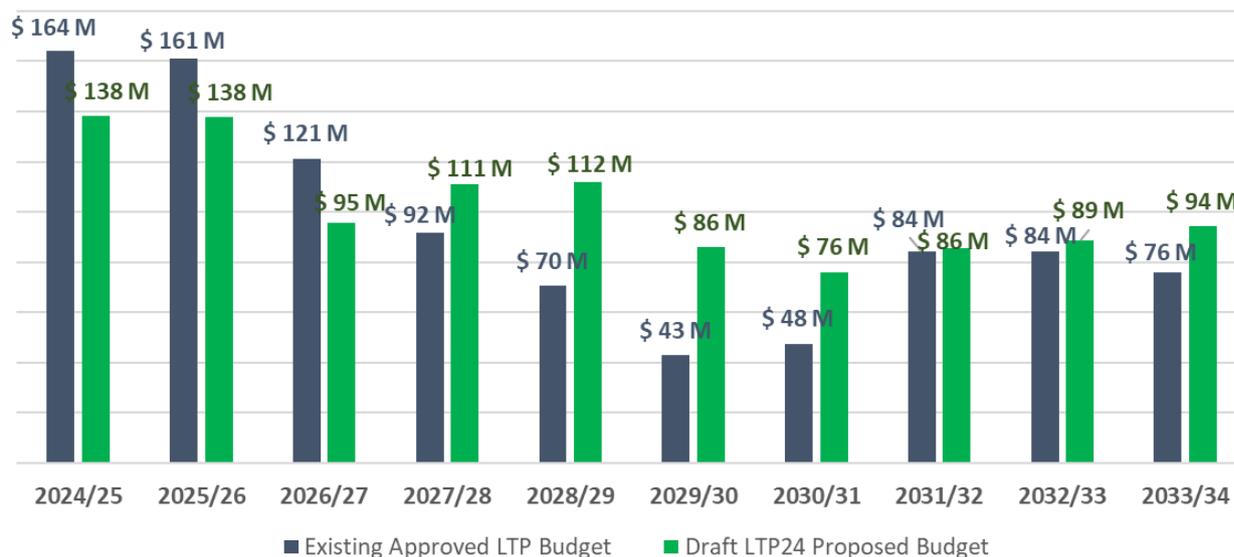
Figure 1: Summary of changes approved to 2023/24 capital budgets (\$M):



6. The decreases to 2023/24 (year 3 of the 2021-31 LTP) are offset with associated timing change increases to the 2024-34 draft LTP. The total movement by year is shown in the following table and chart which includes other changes proposed through the draft 2024-34 LTP process (excluding 3 Waters from year 3).

Figure 2: Summary of existing vs proposed 2024-34 ten year plan budgets excluding 3 Waters from year 3 (\$M's in 2023/24 AP year \$'s):

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2024-34
Existing Approved LTP Budget	164	161	121	92	70	43	48	84	84	76	944
Draft LTP24 Proposed Budget	138	138	95	111	112	86	76	86	89	94	1,025
Var	-26	-23	-26	19	41	43	28	1	4	18	81



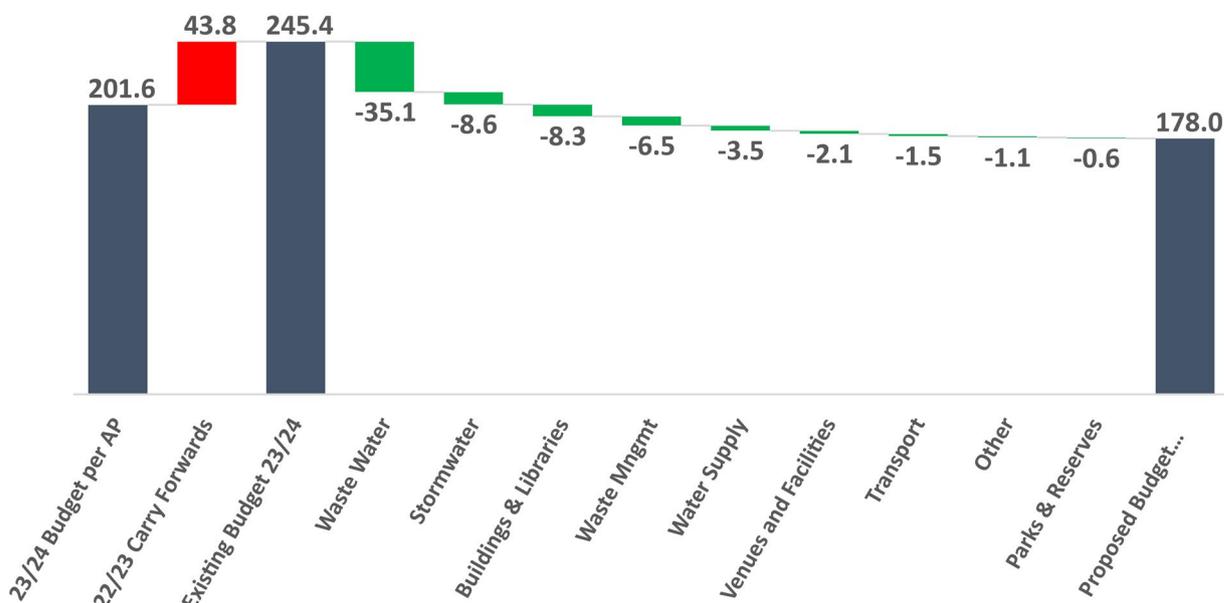
Analysis and Advice | Tatāritaka me kā Tohutohu

Key Changes by Programme

7. A detailed list by project of changes is shown in attachment A. The following table summarises the movement by programme.

Table 2: Summary of 2023-24 Movement by Programme:

2023/24 Annual Plan Capex Budget Movement (\$M's)



Programme	Change \$M's	Comment
WASTE WATER	-\$35.1M	Majority of changes reflect the revised project delivery timelines including deferrals of \$14.6M for Kingston Housing Infrastructure Fund (HIF) new wastewater (WW) Scheme, \$4.8M for Project Pure Aeration Grid Renewal, \$3.8M for Robins Road WW Conveyance Upgrade & \$2.4M for CBD to Frankton Conveyance.
STORM WATER	-\$8.6M	Predominantly includes deferrals of \$7.7M for Kingston HIF WW Scheme and \$1M for Lakeview Development Servicing based on current programme.
BUILDINGS & LIBRARIES	-\$8.3M	Projects deferred to 2026/27 as they do not meet the LTP24 baseline criteria include \$4.1M for Ballantyne Rec Centre, \$3.4M for 516 Ladies Mile Community Facility and \$0.4M for Wānaka Eely Point Jetty/Ramp.
WASTE MANAGEMENT	-\$6.5M	Predominantly includes deferrals of \$4.0M for Wānaka New Waste Facilities and \$2.5M Whakatipu New Waste Facilities based on current programme.
WATER SUPPLY	-\$3.5M	Majority of changes reflect the revised project delivery timelines including \$8.0M for Kingston HIF New WS Scheme and \$2.3M for Hanleys Farm new Reservoir, Pump Stations and Rising Mains and internal transfers offset with \$8.5M for the new Compliance Response UV Treatment WS project.

Programme	Change \$M's	Comment
VENUES & FACILITIES	-\$2.1M	Projects deferred to 2026/27 as they do not meet the LTP24 baseline criteria include \$1.5M for QEC Indoor Court, Carpark reconfiguration and masterplan development. Surplus of \$0.5M for Frankton Golf Course Reconfigurations as does not meet LTP24 baseline or strategic priorities.
TRANSPORT	-\$1.5M	Predominantly transfers between transport projects to maximise subsidies for prioritised minor improvements, road rehabs and active travel. \$0.6M for Butlers Green Retaining Wall has been deferred as does not meet LTP24 baseline criteria along with \$0.4M surplus for Lake Whakatipu Ferry Improvements. \$0.4M has been deferred for Capell Ave Road Formation based on current programme.
OTHER	-\$1.1M	\$1.M deferred for Queenstown Priority Growth Corridors, rephased to align with likely resource availability.
PARKS & RESERVES	-\$0.6M	Predominantly minor transfers between Parks projects for prioritised works. \$1.0M surplus noted for Wānaka Lakefront Development Stage 5. \$0.5M added for Responsible Camping Strategy Implementation as 100% third party funding from MBIE agreed to cover the ambassador programme and enforcement.
	-\$67.3M	

Options

8. Option 1 Approve the changes to the 2023/24 proposed capital works programme as proposed in Attachment A.

Advantages:

- 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.
- Ensures Council remains agile and able to respond to changed circumstances by realigning and signalling early what its preferred programme is as circumstances change.
- Allows the Long Term Plan budgets to be a rolling forecast, reducing the need to start over at each 3 year budget cycle.
- Ensures Council is able to maintain debt levels within prescribed funding parameters across all years of the Long Term Plan.

Disadvantages:

- Changes to the timing, cost, and/or completion of some previously approved projects may be perceived as disadvantageous by the community and supply market.

9. Option 2 Do not approve the changes (do nothing option).

Advantages:

- Maintains the existing programme which was signalled to be delivered.

Disadvantages:

- 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.
- Council would be in the less favourable financial position to address the emerging cost and other issues faced with delivering on the current programme.

10. Option 3 Approve only some of the changes to the 2023/24 proposed capital works programme.

Advantages:

- 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:

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

11. This report recommends **Option 1** for addressing the matter. This allows Council to maintain a more accurate forecast across years, ensuring that Council has a sound base for the 2023/24 Annual Plan and associated Ten Year Plan budget setting processes and to maintain debt levels within prescribed funding parameters.

12. Adjusting the budgets as identified in Attachment A will ensure Council can continue to deliver the agreed programmes in the Ten Year Plan, maximise external funding and respond to delivery critical works required.

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

13. 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 central government expectations and QLDC's funding constraints.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

14. This matter relates to the Financial risk category. It is associated with RISK10013 Unexpected change in cost or funding within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating.
15. The approval of the recommended option will support the Council by allowing the risk to be avoided. This shall be achieved by reprioritisation of funding to ensure delivery of projects as set out in the Long Term Plan and Annual Plan.

Financial Implications | Kā Riteka ā-Pūtea

16. Approval of the recommended option will decrease planned 2023/24 capital expenditure to \$178.0M (a \$67.3M decrease from the existing adjusted Annual Plan budget of \$245.4M). Resulting deferrals have already been increased against the draft LTP 2024-34 LTP budgets.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

17. The recommended option is consistent with the principles set out in QLDC's Significance and Engagement Policy. Although the decision is in respect to strategic assets (namely three waters, transport, and community services infrastructure), the decision does not involve the transfer of ownership, sale, or long-term lease of these assets.
18. This report considers changes to budgets that were consulted and approved through the 2021 Ten Year Plan adoption process.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

19. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The recommended adjustments 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.
20. The recommended option:
 - Can be implemented through current funding under the Long Term Plan;
 - Is consistent with QLDC's plans and policies; and
 - Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of QLDC, or transfer the ownership or control of a strategic asset to or from QLDC.

Attachments | Kā Tāpirihaka

A	Summary of Proposed Changes – December 2023 Capital Works Reforecast
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