

QLDC Council
29 April 2021

Report for Agenda Item | Rīpoata moto e Rāraki take : 6

Department: Property & Infrastructure

Title | Taitara 2020:21 Capital Works Programme – Second Re-forecast

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;
2. **Approve** the budget changes proposed in Attachment A.

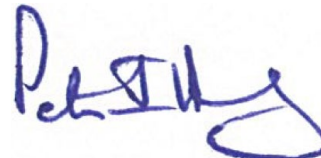
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15/04/2021

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15/04/2021

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 second 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, the need to reprioritise project spend for urgent initiatives, the advancement of shovel-ready initiatives and alliance delivery agreement.
- 3 The approved adjusted 2020/21 Annual Plan budget is \$184.1M. It is recommended that this **budget be reduced by \$33.2M** to \$150.9M largely due to timing of delivery across the programmes and the need to reprioritise projects.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Summary of changes

- 4 The net \$33.2M reduction in 2020/21 budget is comprised largely of deferrals 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 (Attachment A refers).

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

Category	Description	Impact (\$m)
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.	(34.6)
Surplus	The net effect of forecasted overspends and underspends. Underspends may exist where a project has been abandoned, a deferral has been included in the draft 2021-31 Ten Year Plan, or is under budget.	(4.2)
Budget Transfer	The project has, or is forecast to exceed, (or be below) the budget allocated through the Annual Plan process. The explanation of overspend / underspend and the proposed reallocation of funding between projects is contained within Attachment A.	(0.0)
Brought Forward	The project is complex or has a longer lead-time and with available resource capacity, it is recommended to bring part of the expenditure forward from future years to enable work to commence ahead of the projects planned start date.	0.2

Buildings and Libraries

- 5 Total reduction in 20/21 budgets of \$5.0M. Deferrals of \$4.5M include \$3.0M for the Luggate Hall Replacement (Physical works due to commence May and be completed in 21/22), \$626k for Wānaka Library Building (additional funds of \$480k to be reallocated for weather tightness remediation works that will be completed in 21/22) and \$562k deferred for the 516 Ladies Mile Community Centre (additional funds and decision to proceed to be sought through the LTP21-31 internal submission process to upgrade the buildings and grounds in 21/22 for a much needed interim community facility in the area). Surplus budgets within 20/21 totalling \$2.0M to offset the internal submission have been identified and provided by various buildings and community services projects. Surplus total of \$342k within Buildings for the Arrowtown Community Pool Refurbishment which is due to be constructed in 24/25 per the draft 21-31 LTP.
- 6 A new project for 21/22 is proposed, the Mitre 10 Wānaka Community Facility which will be an internal submission to the LTP21-31. Surplus budgets within 20/21 totalling \$1.2M to offset this have been identified and provided by various buildings and community services projects. Note the decision to proceed with this project does not form part of the resolution of this report.

Venues & Facilities

- 7 Total reduction in 20/21 budgets of \$2.4M. Surplus budgets within 20/21 totalling \$2.4M have been identified to go towards the 516 Ladies Mile Community Centre and proposed new Mitre 10 Wānaka Community Facility. These surpluses mainly include \$835k for Artificial Turf (to be completed under budget), \$500k for Two new courts added to the current Stadium (project delivery deferred to 26/27 in draft 21-31 LTP) and \$541k for Extension of Alpine Aqualand Health & Fitness (no longer in draft 21-31 LTP). No budget deferrals.

Parks & Reserves

- 8 Total reduction in 20/21 budgets of \$3.2M. Deferrals of \$2.7M include \$1.5M for Wānaka Lakefront Development Plan (stage 3 to be completed in August and stage 2 to commence in June and be completed December) and \$700k for Coronet Forest Revegetation (delay in plant spend due to tender process which will be run in May). One surplus in budget on Frankton Campground Upgrade (project under budget following new operator agreement) to go towards 516 Ladies Mile and Mitre 10 Wānaka Community Facility internal submissions. \$1.5M deferral to 21/22. \$1.5M of this is for Stage 3 of Wānaka Development Plan to be completed in August 21.

Infrastructure

- 9 Transport total reduction in 20/21 budgets of \$15.2M. Deferrals of \$15.1M include \$11.8M for the CIP (Crown Infrastructure Partners) projects, Queenstown Arterials Stage One and Queenstown Street Upgrades (now more accurately estimated following the recent formation of the Wakatipu Transport Programme Alliance). QLDC are working closely with CIP in respect to the project cashflows. The Lucas Place Road Rehab project has been delayed due to the extension of the roading and 3 Waters renewals programme

to enable completion of the seal following winter (1.5M deferral). Surplus budgets of \$1.0M include \$915k for Crown Range Sealed Pavement Rehabs and \$125k for Environmental Renewals which are not required. \$750k new budget has been added for increased scope to the existing Lakeview site clearance / asbestos removal project to clear the strip along Thompson St.

10 Three Waters has a total decrease in budget for 20/21 of \$11.1M, due to deferrals of \$11.3M, offset with \$181k brought forward from 21/22. While there is some significant deferrals including storm water (\$3.3M), waste water (\$2.5M), and water supply (\$4.0M), the majority of PMO capital works projects are largely in contract.

a. Water Supply: Deferrals total \$4.0M which includes \$2.0M for Beacon Point Reservoir (delayed as a consequence of increased cost scope needing council approval) and \$1.0M for Shotover Country WS new water treatment plant (due to Notice of Requirement 'NOR' hearing relating to designation). Budget transfers are a net \$1.4M reduction which have been reprioritised to cover essential waste water renewals.

b. Waste Water: Deferrals total \$2.5M for the North Wānaka new WW Conveyance scheme (due to constructability review and engagement with stakeholders) and \$181k is to be brought forward for CBD to Frankton Reticulation from 21/22 to 20/21 to proceed with preliminary design of the Waste Water upgrade along Frankton Track (both previously approved in the CE Report 18/03/21). \$750k of transferred budget required for Wastewater Renewals Wanaka. This increased budget is required for Cardrona waste water treatment plant upgrades, allowing the plant to achieve resource consent condition compliance. In addition, the waste water main on Hunter Crescent was relined with WW renewal design completed and planned to commence this financial year for Veint Crescent and Tramore Street.

c. Storm water: Deferrals total \$3.3M including \$2.3M for Alpha Series Storm water Bypass (concept redesign required due to issues such as flooding, private land agreements and inaccurate storm water catchment models) and \$1.0M for Recreation Ground SW new box culverts (Investigations are on-going to determine a more cost effective solution to control storm water flow upstream at the Matakauri Wetland).

d. Three Waters Reform Stimulus Delivery Plan: Deferral of \$1.5M to 21/22 to continue construction phase (100% funded).

11 Solid Waste has a total deferral amount of \$700k to 21/22. This is for the Recycle Centre Plant Upgrade project due to delays to resourcing for progressing concept design and planning services. There are minor budget transfers between projects for bin reskinning.

Lakeview

12 Lakeview has a total increase in budget for 20/21 of \$4.4M. The Lakeview Development Site Clearance project requires an increase of \$5.6m due to the discovery of asbestos-

containing materials on site which need to be dealt with accordingly. This is offset with \$1.2m reallocated from other Lakeview projects as per attachment A.

Options

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

Advantages:

- 14 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:

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

- 16 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.

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

Advantages:

- 18 None identified.

Disadvantages:

- 19 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.

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

Advantages:

- 21 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:

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

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

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 24 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.
- 25 Formal consultation on all proposed changes would compromise Council's ability to deliver the planned capital works within the current financial year.

26 RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 27 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.
- 28 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

- 29 The financial implications are outlined in Attachment A which shows a \$33.2M reduction against the current 20/21 budget of \$184.1M to \$150.9M.
- 30 The impact of the high number of deferrals to 21/22, will mean further deferrals will be likely which will be managed through the first reforecast in 21/22.

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

- 31 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.
- 32 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

- 33 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 – March 2021 Capex Reforecast
B	516 Ladies Mile & new Mitre 10 Community Facility