

**QLDC Council**

1 June 2023

**Report for Agenda Item | Rīpoata moto e Rāraki take [4]**

**Department: Assurance, Finance & Risk**

**Title | Taitara : Capital Works 2022/23 June Reforecast**

**Purpose of the Report | Te Take mō te Pūroko**

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The purpose of this report is to seek approval of proposed amendments to Queenstown Lakes District Council's capital works programme budgets as set out in the 2022/23 Annual Plan.

**Executive Summary | Whakarāpopototaka Matua**

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Changes to some approved 2022/23 Annual Plan budgets are required to meet immediate business needs. If approved, these changes will deliver a total increase of \$0.8M to the 2022/23 capital plan budgets to a revised position of \$234.7M. The increase to 2022/23 is offset with reductions to future years.

The purpose of this final reforecast in the 2022/23 financial period is predominantly for minor reallocations where current forecast spend to June 2023 exceeds existing budget and to ensure any subsidies are maximised within third party funded projects including Waka Kotahi subsidies. No deferrals were considered as they will form part of the year end carry forward process, to be considered at the 31 August Council Meeting. Presently net carry forwards are anticipated to be about \$35.0M.

**Recommendation | Kā Tūtohu**

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That Council:

1. **Note** the contents of this report;
2. **Approve** all proposed budget changes in accordance with Attachment A of the 'June 2023 Capital Works Reforecast' report; and
3. **Note** that approval of recommendation (2) will deliver a net increase of \$0.8M to 2022/23 as per Attachment A, along with a net decrease of \$0.8M to 2023/24 budgets.

**Prepared by:**



**Name:** Jeremy Payze  
**Title:** Senior Management Accountant -  
Projects  
5 May 2023

**Reviewed and Authorised by:**



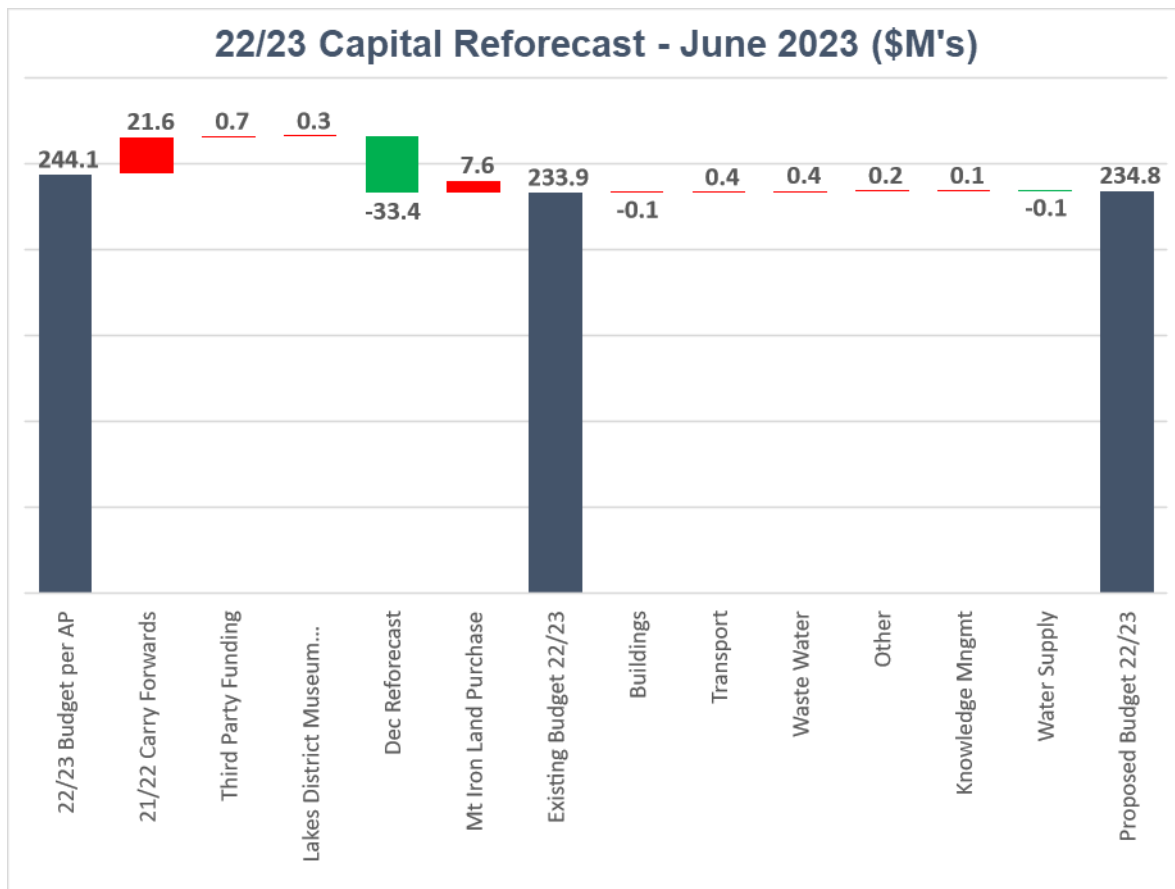
**Name:** Stewart Burns  
**Title:** General Manager, Assurance, Finance  
& Risk  
5 May 2023

### Context | Horopaki

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1. Queenstown Lakes District Council (QLDC) 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 final reforecast of the 2022/23 financial year. Any final carry forward budgets from 2022/23 to 2023/24 or beyond will be considered at the 31 August Council meeting.
2. The need to reforecast is driven by a number of factors, including but not limited to:
  - Impacts arising from COVID-19 and associated supply chain availability and pricing;
  - Unknown/poor ground conditions;
  - Limited resource and materials supply which impacts the Queenstown Lakes District greater than larger centres;
  - 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 impact of interest rates, inflation and the need to manage budgets within overall QLDC wide debt levels;
  - The advancement of shovel-ready initiatives and Kā Huanui a Tāhuna alliance delivery agreement.
3. The existing approved 2022/23 Annual Plan budget is \$233.9M which includes \$21.6M of carry forwards from 2021/22, reductions of \$33.4M in the December 2022 Reforecast, \$0.3M Lakes District Museum Funding, an additional \$0.7M third party funding and \$7.6M added for the Mt Iron Reserve Land Purchase. It is recommended that the 2023/24 budget be increased by \$0.8M to \$234.7M. The remaining budget is not an anticipation of the forecast as there will be carry forwards at year end which are anticipated to be about \$35.0M.

Figure 1: Summary of changes approved and proposed to 2022/23 capital budgets (\$M):



- The increases to 2022/23 (year 2 of the 2021-2031 Ten Year Plan) are offset with associated timing change decreases in 2023/24.

**Analysis and Advice | Tatāritaka me kā Tohutohu**

**Key Changes by Programme**

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

Table 1: Summary of Movement by Programme:

Programme	Change \$M's	Comment
BUILDINGS, LIBRARIES & CAMP GROUNDS	-\$0.1M	\$0.1M reallocation from Library Systems to Enterprise Systems under Knowledge Management. Balance is minor transfers to cover additional costs on Buoy Upgrades, Queenstown & Arrowtown Library renewals.
KNOWLEDGE MANAGEMENT	\$0.1M	\$0.1M reallocation from Library Systems under Libraries to Enterprise Systems for CIA migration internal recovery costs.
OTHER	\$0.2M	Includes \$0.1M transfer to Queenstown Priority Growth Corridors to support Ladies Mile planning activities and other minor transfers between programmes from within Buildings, Camp Grounds, Water Supply and Wastewater.
TRANSPORT	\$0.4M	Brought forward budget of \$0.4M for ORC subsidised Wakatipu Public Transport improvement works under contract. Balance of transfers offset to enable Waka Kotahi priority subsidised works, to split out Parking physical works with the parking management plan and to reallocate the Arawata Terrace Retaining Wall budget of \$0.1M to Butlers Green Retaining wall.
WASTE WATER	\$0.4M	Brought forward budget \$0.4M for Upper Clutha Conveyance Scheme for bridge investigation & ongoing detailed design. Balance is minor reallocations within renewals for priority works.
WATER SUPPLY	-\$0.1M	Includes \$0.2M transfer from Luggate Water supply Scheme to Luggate Reservoir to cover land purchase. Balance is minor reallocations within renewals for priority works.
	<b>\$0.8M</b>	

## Options

6. Option 1 Approve the changes to the 2022/23 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.

7. 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 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.

8. Option 3 Approve only some of the changes to the 2022/23 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.

9. 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.

10. 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**

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11. 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.

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### **Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka**

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12. This matter relates to the Financial risk category. It is associated with RISK00024 Unexpected Change in Costs within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.
13. The approval of the recommended option will support the Council by allowing the risk to be managed by ensuring capital expenditure is appropriately prioritised based on the most current information available.

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### **Financial Implications | Kā Riteka ā-Pūtea**

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14. Approval of the recommended option will increase planned 2022/23 capital expenditure to \$234.7M (a \$0.8M increase from the existing adjusted Annual Plan budget of \$233.9M). Resulting brought forward budgets of \$0.8M will be reduced against the existing 2023/24 Draft Annual Plan budgets.

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

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15. 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.
16. This report considers changes to budgets that were consulted and approved through the 2021 Ten Year Plan adoption process.

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

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17. 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.
18. The recommended option:
  - Can be implemented through current funding under the Ten Year 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**

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A	Summary of Proposed Changes – June 2023 Capital Works Reforecast
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