

QLDC Council
30 June 2021

Report for Agenda Item | Rīpoata moto e Rāraki take : 5

Department: Property & Infrastructure

Title | Taitara 2020/21 Capital Works Programme – Third 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.

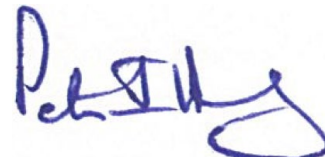
Prepared by:



Jeremy Payze
Senior Management Accountant
Finance

16/06/2021

Reviewed & Authorised by:



Pete Hansby
General Manager
Property & Infrastructure

16/06/2021

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 third and final 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 \$151.3M. It is recommended that this **budget be increased by \$1.7M** to \$153.0M largely due to timing of delivery across the programmes, the need to reprioritise projects and to ensure we maximise NZTA subsidies. Based on the latest information, the main purpose is for minor reallocations of budget to where additional funds are required, offsetting with forecast underspends. The May reforecast is not used to defer any further budget to later years, as this will be dealt with through the year end carry forward process.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Summary of changes

- 4 The \$656k increase in 2020/21 budget is comprised of 100% NZTA fundable budget for Minor Improvement works in Glenorchy and Crown Range. As it is the end of a 3 year cycle it is not possible to carry forward NZTA budgets so it is important to maximise the 100% funding in the current year before the subsidy drops to 51% from July 2021.
- 5 \$1M budget brought forward is to reverse the previously approved deferral in the March Reforecast for the Recreation Ground SW Box Culverts to reallocate to other urgent Queenstown SW projects (Lucas Place, Magnolia Place and Kawarau Place) to enable construction to commence. Memo approved by the CE in May.
- 6 Notable variances are briefly discussed below and detail is provided in the supporting schedule (Attachment A).

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

Category	Description	Impact (\$m)
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.	(1.0M)
New / Increased Budget:	Where additional or new funding is sought for existing projects or new projects are identified which the Council may consider suitable due to a change in legislation or some other business environment changes to those understood at the time of adopting the Annual Plan.	(0.7M)

Buildings and Libraries

- 7 Reallocation of \$160k budget from Wānaka Rec Centre Prefab and Kingston Historic Jetty to Civic Building (Gorge Road Office) for urgent roof remedial works.

Venues & Facilities

- 8 Minor reallocation of \$19k from Glenorchy Hall to Lake Wānaka Centre – Renewals, for physical works.

Infrastructure

- 9 Transport has a \$656k increase in budget for 20/21 comprised of 100% NZTA fundable budget for Minor Improvement works in Glenorchy and Crown Range. This programme also consists of minor reallocations between renewals projects matched by NZTA funding as well as a reallocation of \$172k from Public Realm Upgrades to New Footpath Arthur’s Point for NZTA funded minor improvement works and \$176k from Minor improvements Wānaka to Minor Improvements Wakatipu for the Glenda Drive Improvements.
- 10 Three Waters has a brought forward budget of \$1M as approved by the CE in May 2021. This includes a reversal of \$1M budget approved in the March 20/21 reforecast for Recreation Ground Stormwater New Box Culverts to reallocate to three Stormwater projects: Lucas Place, Kawarau Place and Magnolia Place due to the construction contract being awarded this 20/21 financial year. \$400k has been reallocated from Cardrona new Wastewater Pipeline (project complete June 2021 and delivered under budget) to Project Pure Waste Water Treatment Plant Upgrade (to upgrade the disposal field to meet discharge consent conditions). The balance are minor increases in funding required offset with minor underspends mostly in renewals.

- 11 Solid Waste has no change to overall budget and consists of a minor reallocation of budget from Weighbridge Transfer Station to Solid Waste AM Imps for small asset replacements in 20/21.

Options

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

Advantages:

- 13 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:

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

- 15 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.

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

Advantages:

- 17 None identified.

Disadvantages:

- 18 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.

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

Advantages:

- 20 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:

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

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

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

23 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.

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

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

24 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.

25 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

26 The financial implications are outlined in Attachment A which shows a \$1.7M increase against the current 20/21 budget of \$151.3M to \$153.0M.

27 Any further deferrals to 21/22 will be dealt with through the year end carry forward process along with the deferrals pre-approved in March.

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

28 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.

29 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

30 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 – May 2021 Capex Reforecast
---	---