

Audit, Finance & Risk Committee

6 March 2025

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

Department: Assurance, Finance & Risk

Title | Taitara: December YTD 2024 Financial Overview including the following reports

- December 2024 Finance Management Report
- Finance YTD Capex Project Report Jul to Dec 2024

Purpose of the Report | Te Take mō te Pūroko

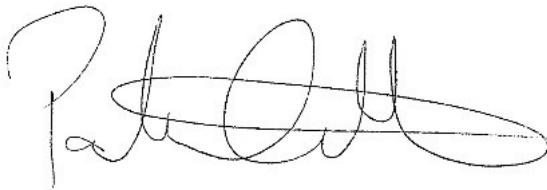
The purpose of this report is to present the 2024:25 December Year to Date (YTD) Actual to Budget financial results, Capital Expenditure financial results, December 2024 Debtors Analysis and Statement of Financial Position and to report on any significant transactions and/or variances to budget.

Recommendation | Kā Tūtohuka

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

Prepared by:



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Title: Finance Manager
10 February 2025

Reviewed and Authorised by:



Name: Katherine Harbrow
Title: GM Finance, Assurance & Risk
10 February 2025

Context | Horopaki

1. The main objective of this report is to give the Audit, Finance & Risk Committee an overview of the Queenstown Lakes District Council's (QLDC) year-to-date financial performance. The approach taken for the operational review is one of management by exception, whereby officers are required to provide explanations when actual expenditure or revenue does not match the budget. For the capital review, the approach taken is to provide a status update on key projects across the various programmes and activities, to provide assurance that the projects are being delivered within existing budgets or to highlight any potential financial risks.

Analysis and Advice | Tatāritaka me kā Tohutohu

2. This report is for noting only. There are no options presented other than 'accepting' the recommendations of the Audit, Finance & Risk Committee.

2024:25 December YTD Operational Expenditure Reporting Overview:

2. The 2024:25 December YTD net operating deficit of (\$24.6M) is a \$0.7M favourable variance to the budget operating deficit of (\$25.3M).
3. There is a full year forecast \$2.3M unfavourable variance to the budgeted operating deficit. Infrastructure maintenance \$4.2M and power of \$0.6M are the main drivers of this.
4. This forecasted full year deficit is subject to on-going scrutiny by the Executive Leadership Team (ELT).
5. Further analysis is provided within Attachment A – **December 2024 Finance Management Report**.

2024:25 December YTD Capital Expenditure Reporting Overview:

6. At the end of December 2024, Council had 354 capital projects with an approved 2024/25 adjusted budget of \$152.5M. This is a \$5.8M increase from the 2024/25 Annual Plan budget of \$146.7M.
7. Overall year to date actual spend is \$60.7M (87%) against a year to date adjusted budget of \$70.0M. Forecast spend is \$144.3M (95%) of the full year adjusted budget of \$152.5M.
8. Please note the Capital Expenditure reporting with projects is grouped by:
 - High Profile Projects which are the key strategic/high profile/relationship projects Council has e.g., Shovel Ready/Crown Infrastructure Partners (CIP) projects and Central Government part funding, Lakeview subdivision works and the Developer Agreement with Ninety Four Ltd.

- Project Management Office (PMO) and the Renewals programmes have their own respective groupings.
 - Other projects which are the new capital projects not included in the above categories.
9. The intention of this grouping is to provide more disclosure on the PMO and the renewals programmes which are in the delivery stages, to identify the key commitments Council has due to either external funding from Central Government or key relationships including Iwi and developers and to note the balance as Council business as usual projects.
10. A traffic light system is used to highlight any areas of concern or potential financial risks (such as significant forecast variances to budget), which the committee should be made aware of. Attachment B **Finance YTD Capex Project Report Jul to Dec 2024** includes the traffic lights in the forecast column. Any grouping that has an amber or red forecast cell, will be referenced in the corresponding section of the paper below as to the reason this has been flagged as a potential risk.
11. Commentaries for the groupings are detailed below.

High Profile Projects Commentary

12. Total December year to date actual spend is \$20.3M or 91% of the year-to-date budget of \$22.2M. Full Year Budget \$34.0M with a forecast spend of \$33.3M (98%).

Crown Infrastructure Fund ('CIP')/Queenstown Town Centre Street Upgrades

13. The December year to date spend is \$0.7M or 89% of the 2024/25 year to date budget of \$0.7M (full year budget \$2.4M). The 2024/25 forecast spend is \$1.6M.
14. The Alliance has completed the Quality Assurance processes and these will shortly be handed over to QLDC. There was an agreed pause on the close-out of minor construction snags (minor faults and omissions) to focus on the road opening for the Arterial Stage 1 project. The snag programme is scheduled to resume in March 2025 and be complete by the end of April 2025.
15. No further reporting is required to CIP.
16. The project is entering the final stages with final completion occurring for each separable portion in May, June and November 2025. By the end of April 2025 (post snag programme) we will be in very strong position to advise the likely final out-turn cost, including risk and appropriate levels of contingency to hold through to project close out in November 2025.

CIP Crown Infrastructure Fund / Arterial Stage 1

17. The December year to date spend is \$19.4M or 93% of the current year to date budget of \$20.7M (full year budget \$29.9M). The 2024/25 forecast spend is in line with budget.

18. Works continued to programme for the main alignment of the Arterial road with opening scheduled for 30 January 2025. As programmed, works will continue into the first quarter of 2025 for the completion of the side roads.
19. Construction commenced on the Lower Ballarat Stormwater (the connection of the Queenstown Hill / Upper Ballarat systems with the Horne Creek outfall) in October 2024. The planned works did not progress to programme. The Alliance has undertaken a review and developed a new methodology with the outcome being an extended completion date of 31 May 2025. Extensive stakeholder engagement has occurred, and the new methodology attempts to minimise stakeholder impacts. Works will recommence on 10 February 2025.
20. The current forecasts are within budget.

Lakeview Development

21. The December year to date spend totals \$0.3M or 39% of the current year to date budget of \$0.8M (full year budget \$1.7M).
22. The budget for this financial year is related to stormwater swale and cut-off drain works either direct by QLDC or through an agreement with the developer. There remains an existing risk of additional costs over the initial subdivision and ancillary works package estimate, due to costs associated with an extension of time claim by the Alliance currently under review by the Project Alliance Board (PAB).
23. Any additional costs are currently being met within the existing Lakeview subdivision works budgets but may require adjustment depending on the allocation of any costs between the subdivision works and ancillary projects.
24. An update on the Lakeview development progress and key milestones is provided in the separate Lakeview report provided to the Audit, Finance & Risk Committee.

Project Management Office (PMO) Commentary

25. The December year to date spend for the Property & Infrastructure PMO is \$25.4M or 101% of the current year to date budget of \$25.1M. Full Year Budget \$55.2M with a forecast spend of \$52.1M (94%).
26. Financial analysis of the PMO team key projects within each programme is detailed in Attachment B. Traffic light comments as follows:
 - Wānaka New Waste Facilities (WM) - Noted as red traffic light. Budget will likely need to increase via a future reforecast process. Completion of the concept design in February 2025 and associated cost estimate will inform the business case and provide greater cost certainty to complete the project.

- Kingston new Storm Water Scheme (SW) - Noted as red traffic light. Due to timing of forecast spend a further \$2.2M budget is anticipated to require carry forward to 25/26 at year end. Construction is due to commence March and is scheduled for completion by December 2025. Underspend due to delays to procurement schedule and resequencing of high-cost construction activities from FY25 to FY26.
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Renewals Commentary

27. Total December year to date actual spend is \$7.3M or 73% of the year-to-date budget of \$10.1M. Full Year Budget \$30.7M with a forecast spend of \$30.2M (98%). Year to date spend tracking below anticipated but the delivery programme remains well planned to spend by June.

Community Services Renewals

28. Year to date spend \$1.5M or 68% of the December year to date budget of \$2.2M. Full year budget \$6.3M with a forecast spend of \$6.4M (103%).

Property & Infrastructure Renewals:

29. Year to date spend \$5.9M or 74% of the December year to date budget of \$7.9M. Full year budget of \$24.4M with a forecast spend of \$23.8M (97%).

30. **Buildings Renewals** noted as amber traffic light due to resourcing and associated timing of works potentially taking longer than anticipated including:

- Wānaka Airport Renewals - Awaiting appointment for programme and project manager (appointment expected by February 2025) to progress implementation.
- Waterways structures renewals - Planned consenting and quantity surveyor (QS) cost for Bobs Cove, Kingston and Sunshine Bay Jetties is ongoing and awaiting completion of detailed design. An external project manager was appointed December 2024 (delaying commencement for delivery of the programme). Roys Bay boat ramp improvements are underway in February 2025. Upgrades likely February to June 2025.
- Campground Building Compliance - Awaiting further quotes and appointment of contractor for weathertightness improvements.

31. **Waste Management Renewals** noted as red traffic light due to timing of forecast spend:

- Existing Wakatipu Waste Facilities – Proposal/pricing for new kiosk and resurfacing under review. Likely to require carry forward to 25/26 to prioritise and ensure value for money.

32. **3 Waters renewals** noted as amber traffic light. Overspend in water supply to be offset with underspend in wastewater and storm water. Critical Water Supply (WS) works were required for Frankton Road WS trunk main renewal (\$1.0M) and district-wide lateral replacements (\$0.8M). The current work programme across 3 Waters renewals has a forecast of 9% over

budget, however committing greater than 100% is often planned within 3 Waters renewals as some works often fall or can be reprioritised into the following year for delivery. The forecast overspend is also offset elsewhere with a forecast underspend within 3 Waters minor improvements and underspends across the Infrastructure renewals programme.

Other Capital Projects Commentary

33. Total Other Capital Projects December year to date actual spend is \$7.6M or 60% of the year-to-date budget of \$12.6M. Full Year Budget \$32.6M with a forecast spend of \$28.8M (88%).
34. Overall forecast for Other Capital Projects noted as amber traffic light as year to date spend to budget being at 60% due to timing of programme development and works taking longer than anticipated. However, the 2024/25 year-end forecast at 88% and associated works programme, remains well placed to come within target.

Community Services Other Projects

35. Year to date spend \$2.6M or 70% of the December year to date budget of \$3.7M. Full year budget of \$8.2M with a forecast spend of \$7.2M (88%).
36. Within **Parks & Reserves Renewals**, the Rockfall Mitigation project is flagged as amber traffic light due to timing changes approved and noting there is no budget in the LTP for physical works. The budget of \$600k now spread across years 1-3 is for design & consenting only.

Corporate Other Projects

37. Year to date spend \$337k or 36% of the December year to date budget of \$946k. Full year budget of \$2.0M with a forecast spend of \$1.5M (78%).
38. Corporate Other Projects forecast noted as amber traffic light as year to date spend to budget being at 60% due to timing of programme development and works taking longer than anticipated. Carry forwards will likely be required including \$200k for digital signage and \$90k for ESX Hosts Replacements.

Property & Infrastructure Other Projects

39. Year to date spend \$4.7M or 58% of the December year to date budget of \$8.0M. Full year budget of \$22.5M with a forecast spend of \$20.0M (89%).
40. Noted as orange traffic light due to overall year to date spend below expected, however there is a strong work programme planned, so this is expected to be caught up in the second half.
41. **Buildings** other new capital projects noted as amber traffic light due to resourcing and associated timing of works potentially taking longer than anticipated including:

- Wānaka Airport Compliance - Awaiting appointment for programme and project manager (appointment expected by Feb 2025) to progress implementation.
- EV Charging Stations - Further scoping required on location of charging stations, incl relocation of existing charging stations at QEC due to indoor courts.

42. **Waste Management** other new capital projects noted as amber traffic light due to timing of forecast spend on the New Waste Facilities project, as awaiting decision on agreed location (Ballantyne Rd vs out of district solution). Other work to commence early 2025 to confirm scoping of new facility requirements.

43. Further in-depth financial commentary on key projects is provided within attachment B. ***Finance YTD Capex Project Report Jul to Dec 2024***

2024/25 December Debtors Analysis Overview

44. Total outstanding debtors have increased by \$1.6M compared to December 2023, with a \$3.9M increase in Trade & other receivables partially offset by a decrease in NZTA receivables of (\$2.7M) mainly due to the lower funding receivable from NZTA.

45. Further in-depth commentary is provided within attachment A ***December 2024 Finance Management Report***.

2024/25 Statement of Financial Position Overview

46. Total decrease of (\$9.7M) in net assets compared to December 2023.

47. The Council's key financial covenant ratio of Net Debt/Total Revenue is 258.1% at 31 December 2024. The FY25 limit is 285%.

48. Further in-depth commentary is provided within attachment A ***December 2024 Finance Management Report***.

49. The report is for noting.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

50. 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 very high residual risk rating.

51. Approval of the recommended option will allow Council to retain the risk at its current level. By noting this report, the Committee gives the public confidence that the financial performance of Council is satisfactory and management of risk is effective in the reporting period.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

52. This matter is of low significance, as determined by reference to the Council’s Significance and Engagement Policy 2024 because of councils ability to manage its annual plan net operational and capital budgets for the 2024/25 financial year.
53. The persons who are affected by or interested in this matter are the residents and ratepayers of the Queenstown Lakes district community.

Māori Consultation | Iwi Rūnaka

54. Not required as the matter is of low significance as noted above.

Financial Implications | Kā Riteka ā-Pūtea

55. As the review of the financial results is an administrative matter, there are no budget or cost implications arising from this report. No anomalies have been identified and it is not proposed to make any significant changes to any internal practices or procedures.

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

56. 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. This report explains how QLDC are delivering financially against the expectations set out in the annual plan. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.
57. The recommended option is consistent with the Council's plans and policies.

Attachments | Kā Tāpirihaka

A	December 2024 Finance Management Report
B	Finance YTD Capex Project Report July to December 2024