

Audit, Finance & Risk Committee
11 March 2021

Report for Agenda Item | Rīpoata moto e Rāraki take 1

Department: Finance, Legal & Regulatory

Title | Taitara 2020:21 December Year to Date Financial Overview

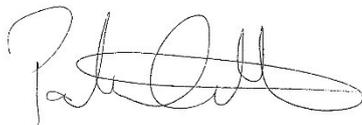
PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 The purpose of this report is to present the 2020:21 December Year to Date (YTD) Actual to Budget financial results, Capital Expenditure financial results and June 2020 Debtors Analysis and Statement of Financial Position and to report on any significant transactions and/or variances to budget.

RECOMMENDATION | NGĀ TŪTOHUNGA

- 2 That the Audit, Finance & Risk Committee:
 1. **Note** the contents of this report.

Prepared by:



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25/02/2021

Reviewed and Authorised by:



Stewart Burns
General Manager Finance, Legal
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25/02/2021

CONTEXT | HOROPAKI

- 3 The main objective of this report is to give the Committee an overview of how the Council is performing from a financial perspective. The approach taken is one of management by exception, whereby officers are required to provide explanations when actual expenditure or revenue does not match the budget.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

2020:21 December YTD Actuals to December YTD Budget Overview:

- 4 The 2020:21 December YTD net operating deficit (\$10.4m) shows as \$3.4m favourable to the budget operating deficit of \$13.8m.
- 5 The December YTD revenue has additional \$1.6m of Operational income and \$0.7m Grants and Subsidies which is offset by less-than-budgeted Regulatory income (\$0.1m) and Consent income (\$0.2m).
- 6 The December YTD actuals has additional expenses within Infrastructure Maintenance (\$1.7m) and Legal (\$0.5m) which is offset by lower Interest expense \$2.1m, Other \$0.6m, Professional Fees \$0.5m and Net personnel expenditure \$0.2m.
- 7 Further in-depth commentary is provided within attachment A.

2020:21 December YTD Capital Expenditure Reporting Overview:

- 8 At the end of December 2020, Council had 316 capital projects with an approved FY21 adjusted budget of \$183.6m. This is a \$2.7m decrease from the 2020:21 Annual Plan budget of \$186.3m. The \$2.7m decrease is made up of:
 - \$67.8m of projects carried forward from 2020 (current projects);
 - \$44.9m of projects externally funded via Shovel Ready Projects, Provincial Growth Fund, Tourism Infrastructure Fund and 3Waters Reform Stimulus Delivery Plan;
 - \$117.2m net reduction via October Council meeting and;
 - \$1.9m of other approved adjustments.
- 9 Overall year to date spend is \$38.9m against adjusted full year budget of \$183.6m.
- 10 Please note we have made grouping changes to the Capital Expenditure reporting with projects now 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, Manawa and Ngāi Tahu, Lakeview subdivision works and the Developer Agreement with Ninety Four Ltd, Provincial Growth Fund, Tourism Infrastructure Funding (TIF) and Central Government funding and 3 Waters Reform monies.
 - Project Management Office (PMO) and The Renewals programmes have their own respective groupings.

- Other Business as Usual (BAU) projects which are the new capital projects not included in the above categories.
- 11 The intention of this grouping change 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 with Iwi (Manawa) and developers (Lakeview sub division) and to note the Council business as usual (BAU) projects which are projects generally in their early life cycle such as design.
- 12 Commentaries for the groupings are as follows:
- High Profile Projects – CIP Crown Infrastructure Fund/Shovel Ready Projects: Queenstown Town Centre Street Upgrades**
- 13 The Queenstown Town Centre Street Upgrades project includes upgrades of the existing road reserve of Brecon Street, Rees Street, Beach Street and Park Street. The upgrades will include new 3 Waters services renewals, paving, street furniture, planting and lighting.
- 14 These streets were identified as high priority active travel routes within the town centre and are part of a larger transport programme for the Wakatipu.
- 15 Part funding (\$35m of the total \$60.6m) sourced from Crown Infrastructure Partners requires monthly reporting and progress payment requests aligning to delivery milestone dates included within the funding agreement. We have met the first three milestones as per below and monthly payments to Council are being made promptly.
- 7 September 2020 – Commencement of Enabling Works;
 - 17 November 2020 – Practical Completion for Enabling Works;
 - 18 January 2021 – Commencement of Main Contract Works.
- 16 CIP has been advised of the Alliance procurement process and progress as follows:
- Interim Programme Alliance Agreement (IPAA) was signed on 23 December 2020;
 - Main Contract Works commenced on 18 January 2021 with construction services being undertaken under the IPAA until the Target Outturn Cost (TOC – approved budget) is agreed;
 - Programme Alliance Agreement (PAA) to be executed once the TOC is agreed – this is anticipated to be April 2021.
- 17 Original budget forecasting did not allow for the following activities which have delayed the construction programme and associated spend:
- Impacts of COVID-19 on businesses and the need to delay construction to mid-February 2021;
 - Impacts of COVID-19 on private/Council developments which were integrated with the design requiring re-design;
 - Asbestos contamination within the ground being widespread;

- Delays due to the Recreation Ground Pump Station project change in methodology;
- Additional scope from the Lakeview project to ensure that re-work is not required once Lakeview infrastructure construction commences

Queenstown Town Centre Arterial (Stage 1)

- 18 The Queenstown Town Centre Arterial (Stage 1) project includes the development of a roading link from the intersection of Henry Street / Gorge Road/ Shotover Street to SH6A just east of the Suburb Street intersection. The work involves a combination of upgrading some existing road corridors and development of a completely new roading link from Henry Street to the intersection of Melbourne Street and Beetham Street. The upgrade will include signalised intersections, cul-de-sac turning heads, a pedestrian overpass, paving, traffic signals, line markings, street furniture, planting and lighting.
- 19 The project is the first of three stages and provides an alternative route around the periphery of the town centre to remove general traffic from Stanley Street, enabling the creation of a new Public Transport Hub and the ability for the town centre to grow. It is also part of a larger transport programme for the Wakatipu.
- 20 Part funding (\$50m of the total \$65.9m) sourced from Crown Infrastructure Partners requires monthly reporting and progress payment requests aligning to delivery milestone dates included within the funding agreement. We have made progress claims towards the first milestone as per below and monthly payments to Council are being made promptly.
- 01 July 2021 – Commencement of Enabling Works
 - 27 September 2021 – Commencement of Main Contract Works
- 21 CIP has been advised of the Alliance procurement process and progress as follows:
- Council's fast-track consenting application was lodged in December 2020 and accepted by the EPA on 14 January 2021. Approval is anticipated May-June 2021;
 - Interim Programme Alliance Agreement (IPAA) was signed on 23 December 2020;
 - Detailed design commenced on 18 January 2021 and the completion of 30% design to prepare the Target Outturn Cost (TOC) is scheduled for end March 2021;
 - Design services are being undertaken under the IPAA until the Programme Alliance Agreement (PAA) is executed - anticipated April 2021;
 - The Target Outturn Cost (TOC – approved budget) process will commence in April and is anticipated to be agreed prior to commencing construction work in July 2021.
- 22 There is risk associated with land acquisition negotiations, but this is being mitigated by undertaking construction in this area at the latter end of the programme.

High Profile Projects: Lakeview Development:

- 23 The project scope includes the required site clearance and demolition works of the existing structures on site, followed by the construction of the required roading and services infrastructure necessary to deliver the subdivision. During the design process opportunities were identified to include additional scope adjacent to the site which could be delivered concurrently with Lakeview to enable financial efficiencies and to minimise

disruption to the area and residents. These projects are identified under the ancillary budgets. The project has developed an interface function to assist in coordination works between the different work streams and the potential ongoing usages of lots prior to their handover to the master developer.

- 24 The first stage of the site clearance work is primarily complete and the second stage commenced on 1 February. There have been additional discoveries of buried asbestos fragments on site which has impacted the programme for site clearance and resulted in additional costs. The site clearance work is continuing on site and anticipated to be complete in April 2021.
- 25 The Lakeview subdivision works including the roading and three waters budgets are progressing well with the finalised design and revised estimate packages due on 22 February. The overall design has been delayed due to previous requests to review and incorporate works outside the Lakeview subdivision which are covered by the Ancillary works budgets, and changes to align with the master developer. In addition to this the ELT requested a review into deferral options last September which further delayed the design programme. Due to these delays on design we are anticipating that there will be surplus budget available this year with construction works due to commence later than initially planned. The construction works for the infrastructure upgrades is to be taken to market in late March with construction services procured via the 3 Waters PMO Panel, with contractor establishment on site in June. This will provide Council with 27 months to deliver the physical works and uplift title ahead of the sunset date agreed in the Development Agreement, at this stage we are targeting an early delivery of titles to the developer in March/April 2023. A variation to the subdivision consent has been lodged to address some minor changes occurring during design and also to incorporate the change of the internal road to a one-way road with transactional parking provisions
- 26 The current project team maintains a strong relationship with the master developer, Ninety Four Feet, and the design of the Isle St extension has been facilitated with their input to accommodate their current master development plan. Engagement has also been held with the adjacent WellSmart developer to incorporate their proposed developments and access/services requirements. This has enabled alignment between the designs and is in keeping with the intention to deliver a coordinated development across the entire site.

High Profile Projects: Manawa (Project Connect and Civic Heart)

- 27 In June 2019, Council executed a partnering agreement (PA) with Ngāi Tahu Property Limited (NTP) for development of the Stanley Street site (the Site). The project delivery team is currently operating under a Terms of Reference (ToR) in order to meet Council's obligations under the PA and specifically developing (with NTP) the Foundation Documents. Before any development can proceed, the following foundation documents need to be prepared:

- A programme which meets the needs of both Council and NTP;
- A site development plan which provides sufficient detail to articulate the approach to each development on the site and the project as a whole; and

- A feasibility model which develops sufficient detail to understand the costs, expenses and returns to each party in undertaking the development of all or part of the Site.
- 28 Agreement between the parties of key commercial terms, with respect to the feasibility model, has been unsuccessful to date however discussions with NTP regarding the commercial terms and programme are ongoing. Work on the wider site programme work streams continues with lead personnel from other related Council projects. There is a current focus to review delivery options for the Council office (Project Connect); and to integrate design of the balance of the site, with Stage 1 of the new arterial and CIP programme/commitments. The design team is yet to report on key Project Connect design elements which requires further exploration such as structural options, sustainable design, seismic importance level and costings.
- 29 A Foundation Document Council report including progress with NTP under the PA is expected before the end of June 2021.

High Profile Projects: 3 Waters Reform Stimulus Delivery Plan

- 30 In August 2020 Council signed a Memorandum of Understanding with the Crown to participate in the initial stage of a central/local government 3 Waters delivery reform programme. The \$5.3m 2020:21 budget is to allow COVID-19-related stimulus works for additional investment into Council's 3 Waters assets. The Reforms funding became available in November and the focus initially has been on establishing contracts to enable delivery, this is reflected in the spend to date. Forecast spend for 2020:21 is \$4.5m.

High Profile Projects: Tourism Infrastructure Fund (TIF) and Provincial Growth Fund (PGF)

- 31 TIF funding for toilets (annual budget of \$2m) is assigned to specific projects with contracts currently in place, and are expected to be completed by the end of this financial year slightly (\$0.2m) under total budget. Responsible camping \$0.5m of the TIF budget is under spent to date given tourism has slowed. The Responsible Camping project finishes on 4 April with the budget expected to be fully spent. The budget has mainly been used for responsible camping ambassadors, enforcement and project management by Summit Events.
- 32 During the current Financial Year Council was successful with a Provincial Growth Fund application. This funding will be across four venues – Lake Wānaka Centre, Queenstown Memorial Hall, Lake Hayes pavilion and Arrowtown Hall and has budget of \$1.2m to be spent by March 2021. Work commenced in October and is comprised mainly of painting, electrical, joinery work and other improvements. This work will keep the halls in condition for the next five years at least.

Project Management Office (PMO) Commentary.

- 33 Current 3 Waters CAPEX Programme spend is \$12.0m behind budget for the period July to December 2020. Reduced spend is predominantly due to the following projects:
- Recreation Ground Wastewater Project due to issues encountered during horizontal drilling (an underspend variance of approximately \$4.7m)

- Willow Place Wastewater Pump Station Rising Main (an underspend variance of approximately \$1.16m)
- Shotover country Rising Main (bridge) (an underspend variance of approximately \$1.13m)
- Cardrona New Wastewater Pipeline due to project coming in under budget (an underspend variance of approximately \$0.67m)

34 Looking forward, the 3 Waters programme is currently forecasted to have an underspend variance for 2020:21 of \$10.6m. Broadly, the 3 Waters programme remains on schedule. The programme is transitioning from a principally design based programme to a construction based programme. As we move into a construction programme, Council has received an increased volume of complaints from the community regarding project delivery and the PMO continues to work closely with the Communications team to ensure appropriate communications plans are implemented.

35 Spend for Transport Projects within the PMO are \$1.6m below the year to date budget predominantly due to Ballantyne Road Reseal, owing to contractor delays associated with the relocation of existing services. A total of \$5.7m is forecast to be spent in 2020:21 for Ballantyne Road with the remaining budget of circa \$1m to be deferred to 2021:22 to complete the remainder of sealing.

Renewals Commentary

36 *Community Services Renewals:*

- Community renewal budgets to be fully spent by the end of the financial year. Venues currently \$0.5m under budget year to date including Alpine Aqualand Plant and Equipment, however spend will be caught up on ventilation units in the next few months.

37 *Transport and 3 Waters Renewals:*

- 3 Waters renewals spend is tracking \$0.3m ahead of year to date budget and is expected that 2020:21 budgets will be fully spent. Transport actuals are tracking \$2.3m behind year to date budget, but this is typical of the transport spend profile with a significant proportion of the budgets being associated with sealed road resurfacing and unsealed road metalling which is programmed to occur in late Summer/Autumn (so mainly relates to timing of budget phasing). Contracts with Downer and Fulton Hogan are in place to spend the remaining budget for 2020:21, except for \$0.9m within Crown Range Sealed Road Pavement Rehabs as works are not required at present.

Other BAU Capital Projects Commentary

38 *Community Services BAU Projects:*

- Parks & Reserves includes the Wānaka Lakefront Development Plan which is \$547k behind on year to date spend vs budget (delayed due to the lengthy consultation period and construction tendering process). The tender for Stage 3 was awarded at

the end of December 2020, with construction to run from January to August 2021. The 2020:21 budget of \$4.6m will require part deferral into 2021:22.

- Camp Grounds includes the Frankton Campground upgrade which is \$464k behind on year to date spend vs budget. The lease has now been granted and redevelopment is set to commence in February 2021 with plans to be open in time for the 2021:22 summer period.

39 Corporate BAU Projects:

- Knowledge Management are \$356k behind on year to date spend vs budget. GIS Software and projects and Library Systems has scheduled work prior to year-end with timing of some works subject to business prioritisation. Enterprise system project had a delayed start due to COVID-19, primarily due to Tech One resource or software availability, so completion of all work may not be delivered by year end. Other Information Management projects have work scheduled and are expected to be delivered this financial year.

40 Property & Infrastructure BAU Projects:

- Buildings includes the Artificial Turf Project at Queenstown Events Centre which is \$1.0m behind on year to date spend vs budget. Construction will be completed in the second half of 2020:21. Luggate Hall Replacement is \$1.3m behind on actuals vs year to date budget. Construction is due to begin in February and be completed in 2021:22. Kinloch Wharf with a \$315k 2020:21 budget has had an alternative solution found for Kinloch access, so the new wharf is no longer required. Budget line to be transferred to Roading, for flood protection works. Wānaka Rec Centre Prefab is due to be completed in March.
- Waste Management includes the Wakatipu Transfer Station and Plant Upgrades, which were in a holding pattern while the Long Term Plan was being finalised, but has now been agreed. Scoping and design is now underway for the new Eco Park.
- Storm Water is tracking close to budget for the year to date. The Recreation Ground Storm Water new box culverts (\$2.5m 2020:21 budget) is not progressing as planned and is likely to be reallocated.
- Waste Water is also tracking close to budget for the year to date. The Marine Parade Pump Station (\$593k 2020:21 budget) is likely to be partly reallocated as only design works are required in advance of further upgrades in 2021:22.
- Water Supply is tracking \$2.0m behind year to date budget including Beacon Pt new Water Treatment Plant (On track to spend 2020:21), Luggate New Water Treatment Plant, Pumping Stations and pipeline to airport (delayed due to consents and the availability of drillers which are now due to start in March). There are some minor reallocations required in the March reforecast across smaller projects where budgets are not fully required.
- Transport is tracking \$3.3m behind on spend to the December year to date budget. Significant Projects exist across various Minor Improvements which are programmed to be fully spent in 2020:21 (including Aubrey Road Cycleway, New Footpath Arthurs Point and we are awaiting a \$500k invoice from Waka Kotahi NZTA for the Wānaka SH8A underpass completed December). Queenstown Parking Improvements spend has been delayed whilst the preferred car parking building options are considered.

\$425k was approved per the January CE Report to reallocate both from Queenstown Parking Buildings and Public Realm along with a further \$300k from renewals to enable Lucas Place Road Rehabilitation works to be completed alongside the 3 Waters upgrades of which road sealing is to be completed by May.

2020:21 December Debtors Analysis Overview:

- 41 Total outstanding debtors (excluding rates) has decreased by \$1.9m compared to December 2019 with the majority of this decrease in current debtors less than 30 days overdue due to timing of payments for turnover rents and GST.
- 42 There has been a \$0.9m increase in total rates outstanding made up of both an increase in current year and arrears rates.
- 43 Our provision for doubtful debts has increased by \$0.8m to account for an increase in outstanding debtors > 2 years overdue.
- 44 Further in-depth commentary is provided within attachment C.

2020:21 Statement of Financial Position Overview:

- 45 Total increase in net assets compared to December 2019 is \$225m which is made of the following significant movements:
 - \$262m increase in property, plant & equipment from \$172m revaluation of Roading infrastructural assets and asset additions in the second half of the FY20 year;
 - Net increase in total borrowings of \$30.3m to fund the capital programme;
 - \$7.5m increase in other current liabilities which includes a \$6.6m increase to the provision for legal claims as at 30 June 2020.
- 46 Further in-depth commentary is provided within attachment D.

Options

- 47 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:
- 48 Option 1 The report is for noting, therefore no options are discussed.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 49 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.

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

- 50 The following Council policies, strategies and bylaws were considered:

- Long Term Plan 2018:2028
- Annual Plan 2020:2021
- Refer to online documents here: <http://www.qldc.govt.nz/policies>

51 The recommended option is consistent with the principles set out in the named policy/policies

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

52 The recommended option:

- The recommended option is consistent with the Council's plans and policies.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Finance Management Report – 2020:21 December YTD Actual to December YTD Budget Financial Overview.
B	Finance Management Report – 2020:21 December Capital Expenditure Reporting Overview
C	2020:21 December 2020 Debtors Analysis.
D	2020:21 December 2020 Statement of Financial Position.