

**QLDC Council**

2 May 2024

**Report for Agenda Item | Rīpoata moto e Rāraki take [6]**

**Department: Assurance, Finance & Risk**

**Title | Taitara : Capital Works 2023-24 May 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 2023/24 Annual Plan.

**Executive Summary | Whakarāpopototaka Matua**

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Changes to some approved 2023/24 Annual Plan budgets are required to meet immediate business needs. If approved, these changes will deliver a total increase of \$5.1M to the 2023/24 capital plan budgets to a revised position of \$203.5M. The increase to 2023/24 budgets will be offset with future sales of land/property assets along with third party funding.

The purpose of this reforecast is predominantly for minor reallocations where current forecast spend to June 2024 exceeds existing budget, to ensure funds are spent where works are prioritised and to ensure any grants and subsidies are maximised within third party funded projects including NZTA subsidies. No deferrals or brought forwards were considered as they will form part of the year end carry forward process, to be considered at the 19<sup>th</sup> September Council Meeting.

**Recommendation | Kā Tūtohu**

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That the Council:

1. **Note** the contents of this report; and
2. **Approve** all proposed budget changes in accordance with Attachment A of the 2023/24 Capital Works - May 2024 Reforecast' report.

**Prepared by:**



**Name:** Jeremy Payze

**Title:** Senior Management Accountant - Projects

5 April 2024

**Reviewed and Authorised by:**



**Name:** Stewart Burns

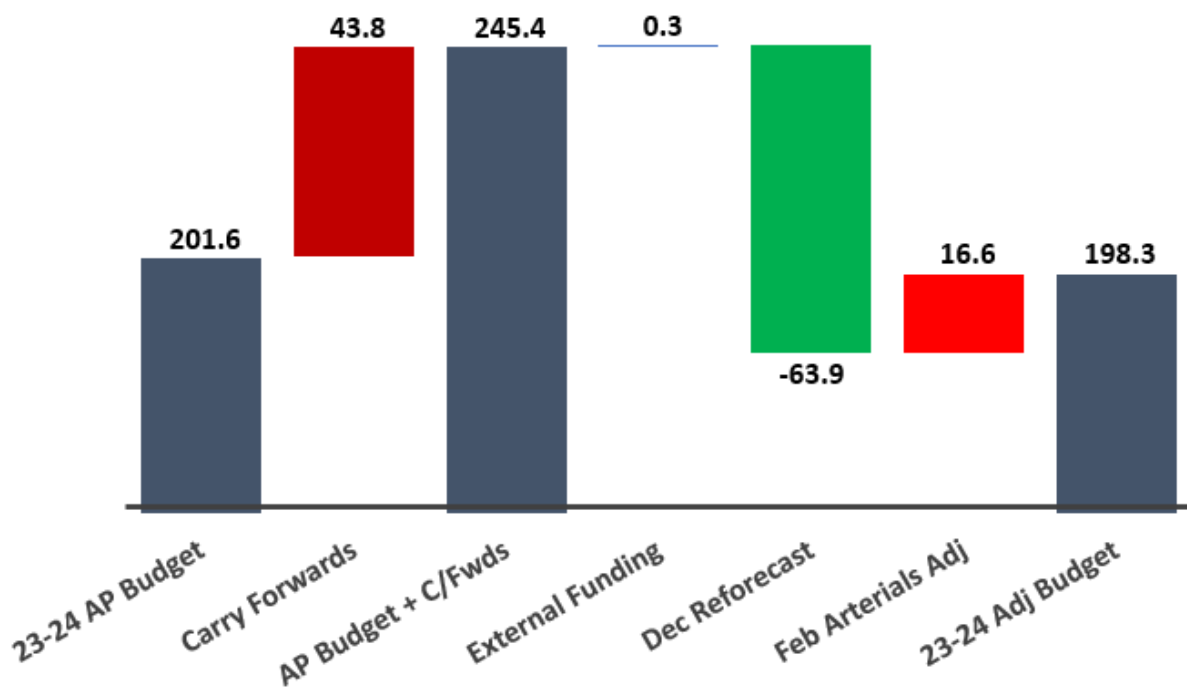
**Title:** General Manager, Assurance, Finance & Risk

5 April 2024

**Context | Horopaki**

1. Queenstown Lakes District 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 2023/24 financial year.
2. The purpose of this reforecast is predominantly for minor reallocations where current forecast spend to June 2024 exceeds existing budget, to ensure funds are spent where works are prioritised and to ensure any subsidies are maximised within third party funded projects including NZTA subsidies. No deferrals or brought forwards were considered as they will form part of the year end carry forward process, to be considered at the 19th September Council Meeting.
3. The existing approved 2023/24 Annual Plan budget is \$198.3M which includes \$43.8M of carry forwards from 2022/23, external funding of \$0.3M, the December Reforecast reduction of (\$63.9M) and the Arterials increase of \$16.6M at the February Full Council Meeting. This report proposed a net increase of \$5.1M which will bring the 2023/24 approved adjusted budget to \$203.5M. There are no changes to future years as a result of this paper.

Figure 1: Summary of changes approved to 2023/24 capital budgets (\$M):

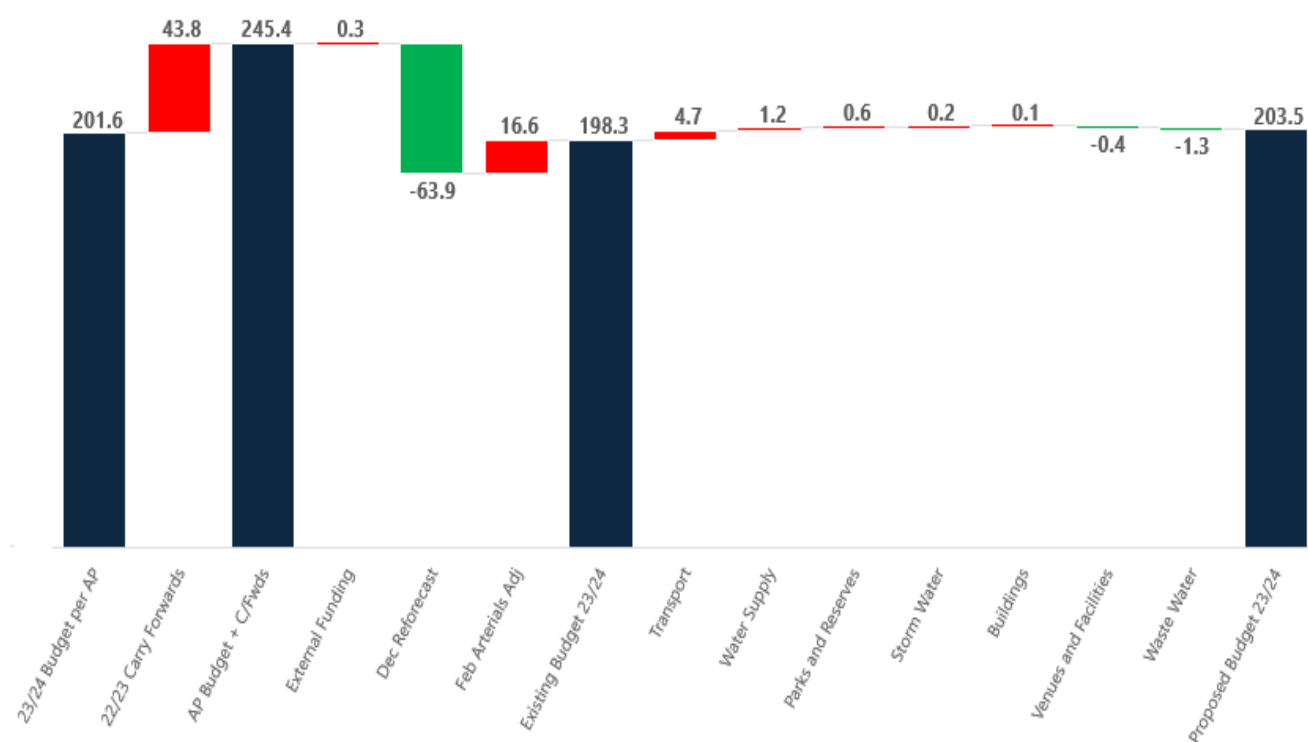


**Analysis and Advice | Tatāritaka me kā Tohutohu**

**Key Changes by Programme**

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

Figure 2: Summary of 2023-24 Movement by Programme:



Programme	Change \$M's	Comment
TRANSPORT	\$4.7M	\$4.9m separate project budget created for Queenstown Land/Property Assets 2A/B Shotover St and Ballarat St Apartments. To split costs incurred out of the Queenstown Arterials Stage One CIP project as will be funded separately through the sale of these land/property assets (as referenced in the April 2023 Arterial council paper). Offset with \$0.2M reallocations to Community Services Parks projects (Wanaka Lakefront Development Stage 5 & Glenorchy Carpark & Marina Improvements).
WATER SUPPLY	\$1.2M	\$1.2M increase in Water Supply Renewals offset with reduction in Waste Water Renewals due to an increased amount of Water Supply unplanned work requiring urgent work/renewal.
PARKS & RESERVES	\$0.6M	\$0.6M net increase to Parks projects due to pricing increases for Wanaka Lakefront Development Stage 5 & Glenorchy Carpark & Marina Improvements, offset with reallocation from projects within Transport and Venues & Facilities.
STORM WATER	\$0.2M	\$0.2M increase to Wanaka Airport Storm Water for Mustang Lane Drainage / State Highway 6 Entrance, offset with reductions to Wanaka Airport Water Supply/Waste Water and reallocation from Property Programme.
BUILDINGS	\$0.1M	\$0.1M increase due to reallocation from Venues & Facilities for basketball hoops at Paetara Aspiring Central offset with reprioritised budgets across the Property programme.
VENUES & FACILITIES	(\$0.4M)	\$0.4M decrease as reprioritised transfers within Parks (\$0.2M) and Property (\$0.2M) projects.
WASTE WATER	(\$1.3M)	\$1.3M decrease in Waste Water Renewals offset with increase in Water Supply Renewals due to an increased amount of unplanned Water Supply work requiring urgent work/renewal.
	<b>\$5.1M</b>	

## Options

- Option 1 Approve the changes to the 2023/24 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.

*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.

6. 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 high 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.

7. Option 3 Approve only some of the changes to the 2023/24 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.

8. 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.

9. 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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10. 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.

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

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11. 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 moderate residual risk rating.
12. The approval of the recommended option will support the Council by allowing us to avoid the risk. This shall be achieved by reprioritisation of funding to ensure delivery of projects as set out in the Long Term Annual Plan.

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

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13. Approval of the recommended option will increase planned 2023/24 capital expenditure to \$203.5M (a \$5.1M increase from the existing adjusted Annual Plan budget of \$198.3M).

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

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14. 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.
15. This report considers changes to budgets that were consulted and approved through the 2021 Ten Year Plan adoption process.

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

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16. 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.

17. The recommended option:

- Can be implemented through current funding under the Long Term 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 – 2023/24 Capital Works May 2024 Reforecast
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