

**QLDC Council**  
**30 June 2022****Report for Agenda Item | Rīpoata moto e Rāraki take : [6]****Department: Finance, Legal & Regulatory****Title | Taitara: June 2022 Capital Works Reforecast****PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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- 1 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 2021/22 Annual Plan.

**EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA**

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- 2 Changes to some approved 2021/22 Annual Plan budgets are required to meet immediate business needs. If approved, these changes will deliver a total increase of \$0.3M to the 2021/22 capital plan budgets to a revised position of \$209.9M. The increase to 2021/22 is offset with reductions to future years.
- 3 The purpose of this final reforecast is predominantly for minor reallocations where current forecast spend to June 2022 exceeds existing budget. No deferrals were considered as they will form part of the year end carry forward process, to be considered at 1 September 2022 Council Meeting.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

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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 2022 Capital Works Reforecast' report; and
3. **Note** that approval of recommendation (2) will deliver a net Increase of \$0.3M to 2021/22 budgets offset with net budget adjustment decreases of (\$0.1M) to 2022/23 and (\$0.2M) to 2023/24 as per Attachment A.

Prepared by:

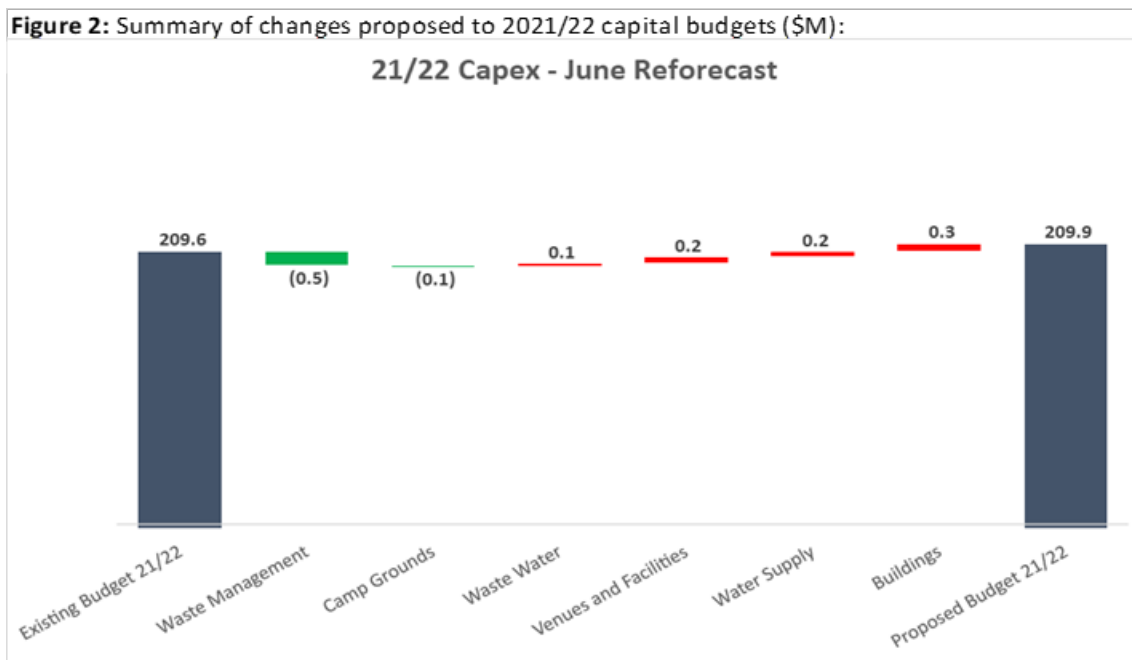
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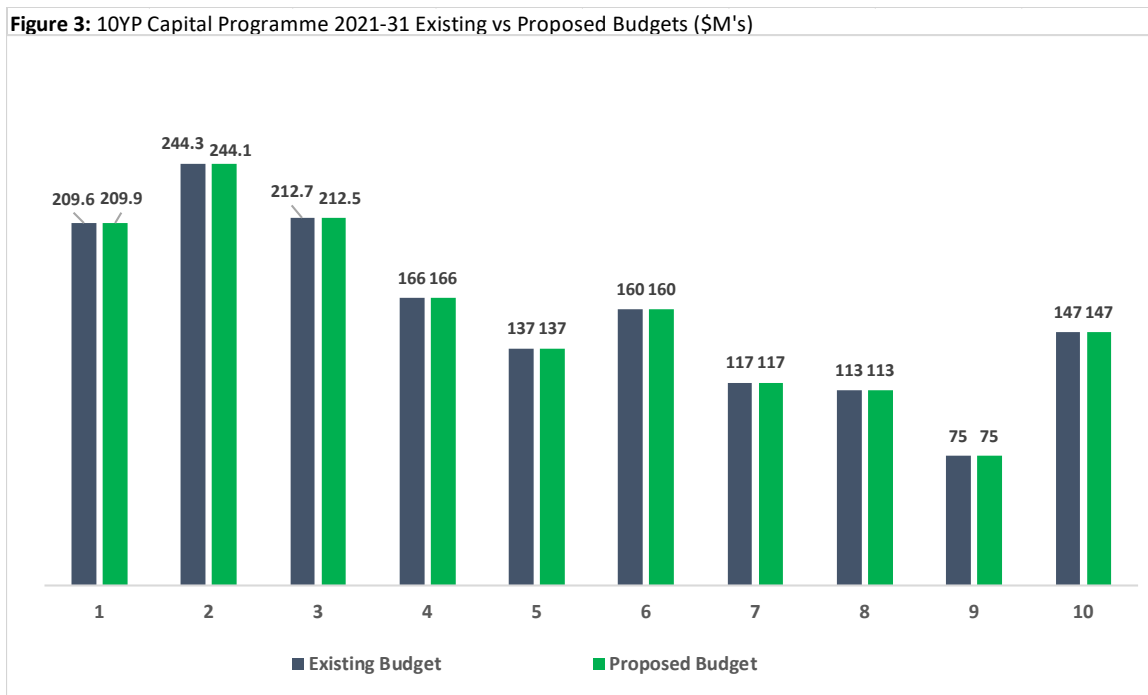
**CONTEXT | HOROPAKI**

- 4 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 final reforecast of the 21/22 financial year. Any final carry forward budgets from 21/22 to 22/23 will be considered at the 1<sup>st</sup> September Council meeting.
- 5 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, dependencies with third-party activity and funding (in particular Waka Kotahi NZTA, MBIE and developers), unforeseen delays or scope changes during planning and design, the need to reprioritise project spend for urgent initiatives, to manage budgets within overall QLDC wide debt levels, the advancement of shovel-ready initiatives and Kā Huanui a Tāhuna alliance delivery agreement.
- 6 The existing approved 21/22 Annual Plan budget is \$209.6M which includes \$38.1M of carry forwards from 20/21, a reduction of (\$2.8M) per the Lakeview July council paper, an increase of \$4.8M approved through the October 2021 Ten Year Plan Capital Expenditure Changes report, a decrease of (\$61.3M) within the December 2021 Reforecast, a decrease of (\$17.1M) within the April 2022 Reforecast, \$0.4M added for the Mt Iron Land Purchase deposit and \$0.2M added for Lakes District Museum Council funding for strengthening. It is recommended that this budget be increased by \$0.3M to \$209.9M.



- 7 The minor increase of \$0.3M to 21/22 (year 1 of the ten year plan) is offset with associated timing change decreases across years 2 and 3 within the ten year plan. The total movement by year is shown in the following table and chart.

	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
<b>Existing</b>	209.6	244.3	212.7	166	137	160	117	113	75	147
<b>Proposed</b>	209.9	244.1	212.5	166	137	160	117	113	75	147
<b>Variance</b>	0.3	-0.1	-0.2	0	0	0	0	0	0	0



8 Actual spend in recent years was \$76M in 2018/19, \$58M in 2019/20 and \$105M in 2020/21. Forecast actual spend for the current year 2021/22 is \$166M, of which \$70M is being delivered by the Alliance for Lakeview and the Crown Infrastructure Partners funded projects Queenstown Arterials and Street Upgrades. Note deferrals were not considered in this final reforecast as they will form part of the year end carry forward process (to be considered at 1 September 2022 Council Meeting).

**ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU**

**Summary of Changes**

9 The attached schedule of proposed changes in Attachment A 'June 2022 Capital Reforecast' summarises movements into the following groupings:

**Table 2:** summary of 2021/22 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.	0.3
Budget Deferred	Delivery timeframes have been extended. Reductions to the current year will be offset with corresponding increases to future years within the same project.	0.0
Surplus	Budgets reduced without specific transfers identified, to help offset indirectly against increases proposed across the ten year plan.	0.0
<b>Total</b>		<b>0.3</b>

- 10 The brought forward budget of \$0.3M includes \$50k for Project Shotover WWTP Upgrade, \$60k Cardrona new Water Supply Scheme from 22/23 and \$0.2M for Shotover Country Bores Integration.

### Key Changes by Programme

#### Buildings

- 11 Increase of \$0.3M includes \$0.1M increase for Electric Vehicle Charging Stations (for QEC) & \$0.2M added for CCTV Crime Prevention & Safety (opportunity to accelerate CCTV for Beach Street) reallocated from Waste Management.

#### Parks & Reserves

- 12 No change to total. \$0.4M reallocated from TIF 2 Lake Wanaka to Wanaka Lakefront Development Plan to complete remainder of landscaping works surrounding toilets.

#### Venues & Facilities

- 13 Increase of \$0.2M Includes \$51k transfer to Wanaka Rec Centre Equipment from Camp Grounds (for cricket nets and programme equipment) & \$180k transfer to QEC Changing Room Upgrade from Existing Wakatipu Waste Facilities. Transfer of \$200k to Building Management System based on latest quotes received, which is transferred from Facilities Management System (costs now being met through knowledge Management budgets) and Artificial Turf (completed).

#### Waste Management

- 14 Reduction of (\$0.5M) includes (\$0.2M) for Wakatipu Asset Renewals (reallocated to QEC Changing Room Upgrade) & \$0.3M across Zero Waste District Programme & Masterplanning (reallocated \$0.2M to CCTV Crime Prevention & Safety and \$0.1M to EV Charging Stations - Districtwide).

## Transport

15 No change to total. A number of transfers are included across roading renewal works based on the Downers contract prioritised programme of works. \$20k is transferred from Frankton Track Development to Bennetts Bluff Safety Improvements for minor close out activities.

## Storm Water

16 No change to total. Minor transfer of \$11k from Bills Way SW pipeline replacement (project deferred) to Stone Street Storm Water Upgrades to assist in mitigating cost risks.

## Waste Water

17 Increase of \$0.1M. Project Shotover WWTP Upgrade additional \$0.2M required (Peer review of the detailed design package has resulted in additional project costs this financial year), met by \$150k transfer from Recreation Ground new Waste Water Pump Station and \$50k brought forward from 22/23. \$67k transfer to Hydraulic Model & System Performance Waste Water projects from Hydraulic Model & System Performance Water Supply projects to inform the Queenstown Priority Growth Corridors programme planning.

## Water Supply

18 Increase of \$0.2M Increase as a result of Shotover Country Bores Integration \$0.2M brought forward from 23/24 (to enable the commissioning and integration of the Shotover Country Water Treatment Plant into the reticulation network in parallel with the WTP construction completion).

## Options

19 Option 1 Approve the changes to the 2021/22 proposed capital works programme as proposed in Attachment A.

### *Advantages:*

20 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:*

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

22 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.

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

*Advantages:*

24 None identified.

*Disadvantages:*

25 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.

26 Option 3 Approve only some of the changes to the 2021/22 proposed capital works programme.

*Advantages:*

27 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:*

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

29 This report recommends **Option 1** for addressing the matter.

30 Adjusting the budgets as identified in Attachment A will ensure Council can continue to deliver the agreed programmes in the long term plan, maximise external funding and respond to delivery critical works required.

## CONSULTATION PROCESS | HĀTEPE MATAPAKI:

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### > SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

31 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.

32 Formal consultation on all proposed changes would compromise QLDC’s ability to meet existing commitments within the current financial year; only the items that cannot wait until a full reforecast process have been presented.

### RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

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33 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.

34 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**

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35 Approval of the recommended option will increase planned 21/22 capital expenditure to \$209.9M (a \$0.3M increase from the existing adjusted Annual Plan budget of \$209.6M). Resulting brought forward changes proposed to future years are also shown in attachment A, with a net decrease of (\$0.1M) to 22/23 and (\$0.2M) to 23/24.

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

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36 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.

37 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-KĀIKA**

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38 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,

39 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 | NGĀ TĀPIRIHANGA**

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A	June 2022 Capital Works Reforecast
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