

QLDC Council
3 September 2020

Report for Agenda Item | Rīpoata moto e Rāraki take : 3

Department: Property and Infrastructure

Title | Taitara Budget Carry Forwards for 2020/21

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 The purpose of this report is to adjust the budgets for the 2020/21 financial year as a result of requests for budget carry forwards from 2019/20.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Authorise** adjustments to the budgets for the 2020/21 financial year in order to provide for capital expenditure carry forwards of \$67,750,405 as included in Attachment A; and
2. **Authorise** adjustments to the budgets for the 2020/21 financial year in order to provide for operational carry forwards of \$1,408,287 as included in Attachment B.

Prepared by:



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20/08/2020

Reviewed and Authorised by:



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20/08/2020

CONTEXT | HORPOAKI

- 2 In some instances, it is not possible to complete all capital projects within annual plan time frames and many project lifecycles span across multiple years. Where projects have not been completed by 30 June 2020, the budget manager must request that funding be carried forward from 2019/20 to 2020/21 if the budget is required to complete a project.
- 3 2019/20 was the second year of the 2018-28 Long Term Plan, which saw a substantial increase in annual plan budgets (including carry forwards) from \$138m in 2018/19 to \$211m in 2019/20.
- 4 Below is a summary for the large number of carry forwards from 2019/20 to 2020/21:
 - Significant impact from the COVID-19 lockdown and restrictions through various alert levels on availability of materials and contractors and ability to progress development and implementation of projects.
 - Dependencies with third parties including reliance on developer agreements such as Lakeview and Housing Infrastructure Fund (HIF) projects and ability of those partners to participate within Council's planned timelines.
 - Reliance on accessing third party funding through lengthy approval processes, with a number of major roading projects in various stages of Waka Kotahi NZTA approval, and dependences with 3 Waters programme.
 - Waka Kotahi NZTA funding for renewals and minor improvements being managed on a three-year cycle that does not align with Council's planning timeframes and cycles.
 - Environmental impact from multiple flooding events across the district redirecting Council staff and resources to address the effects, causing delays to planned project work.
 - The bundled programme approach to delivery with a large number of projects being in the design stage with construction scheduled for 20/21 and beyond. This bundled approach was agreed by Council and introduced during the first year of the 2018-28 Long Term Plan and therefore had not been factored into its modelling at the time but is a consideration in future and current plan development.
 - Timing and agreement of land acquisitions and consents.
 - Project Manawa, which includes the new Council office and civic heart precinct in Queenstown, has involved working through the potential for a joint venture agreement with Ngāi Tahu Property (as previously resolved by Council) before the projects can be progressed further.
 - Timing of approvals for new projects and budget adjustments throughout the year.
 - Comprehensive processes of community and stakeholder engagement in more significant projects to agree design solutions resulting in delays to subsequent development and implementation project phases.

- Venues and Facilities have significantly reprioritised and rescheduled works due to the unforeseen extent of the Queenstown Event Centre pool roof tile and ventilation project.

5 A summary of adjustments by programme is detailed in the paragraphs below.

Buildings, Camp Grounds and Libraries

6 Total carry forwards of \$4.1m includes \$762k for 516 Ladies Mile development (on hold pending masterplan in 20/21 and NZTA NZ Upgrade Programme to address access limitations to the State Highway), \$744k for the Frankton Campground upgrade, \$581k for Luggate Hall Replacement (scheduled for construction 20/21), \$509k for Wānaka Recreation Centre Prefab (construction currently out for tender) and \$315k for Kinloch Wharf (feasibility underway following new project being created in the March reforecast).

Solid Waste

Total carry forwards of \$1.1m includes \$0.5m for Transfer Station Upgrades Wakatipu. Feasibility and design is underway in conjunction with the Eco Park Design along with minor upgrades required to existing facility. The final solution is dependent on outcomes of the 2021-31 Long Term Plan planning process including timing of delivery.

Transport

7 Total carry forwards of \$16.2m including \$3.8m previously approved. This includes \$4.3m for Glenorchy and Crown Range SPR's which have Waka Kotahi NZTA funded rolled over at 100% and 90% along with \$5.3m for Local Roads funded at 51% for renewals and minor improvements programmes to be consolidated in 20/21; \$1.3m is for Park and Ride Transport Services and \$1.1m for Wakatipu Active travel which are dependent on Waka Kotahi NZTA approved business cases to proceed; \$1.3m for Queenstown Parking Improvements relates to the Boundary Street carpark which is now consented and is awaiting a decision on proposed options to proceed.

Water Supply

8 Total carry forwards of \$17.6m including \$14.3m previously approved. A number of projects are awaiting consents, land agreements or delayed due to COVID-19 but are due to commence construction in 20/21. These include \$6.4m for Shotover Country Water Supply new Water Treatment Plant, \$2.1m for Beacon Point new Reservoir and \$1.2m for Shotover Country Rising Main (bridge). \$2.6m relates to Frankton Water Supply Ring Main (BP roundabout to Kawarau Bridge) which is dependent on Waka Kotahi NZTA timing of works to upgrade the state highway.

Waste Water

9 Total carry forwards of \$9.6m including \$8.2m previously approved. This includes \$2.9m for Hāwea Wastewater Connection to Project Pure, \$1.3m for Project Shotover Waste Water Treatment Plant upgrade, \$0.7m for Project pure Waste Water Treatment Plant

upgrade and \$2.3m for Cardrona new Wastewater Scheme which were signalled and approved in March.

Storm Water

- 10 Total carry forwards of \$1.9m including \$1.2m previously approved. This includes \$842k for the Alpha Series Storm Water Bypass which the deferral was signalled and approved in the March Reforecast, along with \$458k for Recreation ground Storm Water new box culverts which is required for Horne Creek capacity issues near Camp Street.

Lakeview Development

- 11 Carry forward of \$428k relating to the cabin removal works which are planned to be completed during 20/21.

Housing Infrastructure Fund (HIF) Projects

- 12 Total carry forward of \$6.7m including \$4.7m previously approved. This includes \$2.6m for Kingston HIF which continues with investigations and design (delays due to landowner and developer land access issues), \$2.5m for Quail Rise HIF (delayed due to land owner negotiations which are now resolved) and \$1.6m for Ladies Mile Roding which is dependent on negotiations with land owners along with Waka Kotahi NZTA approved programmes.

Venues and Facilities

- 13 Total carry forward of \$3.4m. This includes \$2.2m for the Artificial Turf Programme at Queenstown Event Centre which was re-allocated in the May reforecast to be carried forward for construction in 20/21, \$367k for Arrowtown Community Pool Refurbishment and \$253k for Alpine Aqualand Plant and Equipment for heating and ventilation units.

Parks and Reserves

- 14 Total carry forward of \$8.1m including \$2.0m previously approved. This includes \$3.6m for the Wānaka Lakefront Development Plan, \$1.4m for MBIE Tourism Infrastructure Fund funded toilets, \$643k for Coronet Forest Revegetation and \$404k for the Queenstown Gardens Development Plan.

Information Management

- 15 Total carry forward of \$130k includes \$87k for ICT Projects and \$43k for mobile computing. Timing of spend delayed due to COVID-19 along with the associated move to mobile computing.
- 16 Once the carry forward is approved, the budget for 2020/21 is then adjusted. Note the deferrals that were approved as part of the November 2019 reforecast totalling \$63.5m were previously adjusted against the 2020/21 or other future budgets. The carry forwards indicated in this report represent those signalled in the 2020 calendar year only.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

17 The process for approving carry forwards for inclusion in the 2020/21 budget is as follows:

- a) Initial requests for carry forward called for by 13 July 2020
- b) Carry forward requests reviewed by GM, CFO and ELT/CEO
- c) Requests for carry forward endorsed by executive are prepared for consideration by full Council
- d) Final requests for carry forward updated for latest financial data as at 31 July
- e) Consideration by full Council on 3 September 2020

The instructions given to Budget managers regarding requests for carry forwards are as follows:

- i) The amount of carry forward is limited to the total amount of unspent capital budgets for the activity in question.
 - ii) Applications for carry forward must relate to the original approved project.
 - iii) Budgets comprising provisions (with no defined projects) will not be considered for carry forward.
- 18 In addition to the these basic principles, the executive sought to minimise carry forwards by testing requests against provision of budgets in the 2020/21 year.
- 19 Most of the final carry forwards reflect the situation where the project is committed and is underway but incomplete at 30 June 2020.

Options

20 Option 1 Authorise the Carry Forwards and adjust the 2020/21 budget

21 Advantages: Provides budget for previously approved projects in the year that the work is carried out.

22 Disadvantages: None

23 Option 2 Do not authorise the Carry Forwards and do not adjust the 2019/20 budget

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

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 25 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because all of these projects were subject to the Annual Plan process, which requires the Special Consultative Process, and as such no wider consultation is required.
- 26 The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes district community.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 27 This matter relates to the strategic risk SR1 (Current and future development needs of the community), as documented in the Council's risk register. The risk is classed as high. This matter relates to this risk because it provides for the delivery of Council's capital programme, which has been developed to meet the community's needs.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 28 The approved capital budget for the 2019/20 Annual Plan totalled \$163.4m, this was further supplemented by \$47.1m of carried forward budget from the 2018/19 financial year. Adjustments to this budget have been agreed throughout the year. A summary of these movements is detailed below in Table A. The final adjusted budget for 2019/20 was \$101.7m.
- 29 The actual expenditure in 2019/20 was \$58.3m, which was 57% of the adjusted budget of \$101.7m as at 30 June 2020.
- 30 The total of capital carry forward requests from 2019/20 to 2020/21 for approval now by Council is \$67.8m. Refer attachment A. The 2020/21 annual plan budget was \$186.3m. \$1.9m was added for Lakeview Demolition and \$37.3m added for the Arterials and Street Upgrade Crown Infrastructure Partner funded projects, which brings the current adjusted budget to \$225.5m. The additional carry forwards would bring the total to \$293.2m. A reforecast of 2020/21 budgets will be completed during September to defer budgets to the 2021-31 Long Term Plan based on the current programme and proposed new Long Term Plan budgets.
- 31 The total operational carry forward requests approved by senior executives is \$1.4m (2018/19 to 2019/20 was \$0.7m excluding \$24.8m land sales proceeds). The \$1.4m includes \$119k Waka Kotahi NZTA subsidised consultants budget for transport Monitoring, \$347k legal fees within District Plan and Resource Consents along with \$804k Commissioner costs (delayed due to COVID-19). The timing of Coronet Forest Harvest has also been deferred with \$3.7m income and corresponding expense deferred (Net impact is Nil).
- 32 The financial impact on approved budgets for 2020/21 is neutral because the approved funding from 2019/20 is also brought forward. The funding will be a mix of loans,

transfers from reserves (depreciation, development contributions and land sales), Waka Kotahi NZTA subsidy, Crown Infrastructure Partner funding and rates.

Table A

Summary of 2019/20 CAPEX Budget Adjustments	\$	\$	Comments
Original Total Annual Plan Budget 19/20		163,430,878	
Budget carried forwards from 18/19 to 19/20		47,143,789	
Adjustments throughout the year - carry forwards, new projects & brought Forwards			
Budget Deferrals 19/20 to 20/21 & Beyond			
November Reforecast Deferrals	- 75,539,224		Project Connect \$21.8m, Civic Heart \$1.6m, Luggate Hall Replacement \$1.5m, Wakatipu Active Travel \$7.1m, Qtn Arterials \$4.9m, Ballantyne Rd \$3.5m, Wanaka Town Centre Masterplan \$1.8m, Qtn Pedestrianisation \$2.1m, 3 Waters PMO \$12.1m, Hanleys Farm WW & WS \$3.2m, Lakeview \$7.9m
March Reforecast Deferrals	- 31,817,348		3 Waters PMO \$26m, Wanaka Lakefront Development Plan \$2m, Wanaka Minor Improvements \$1.5m, Park and Ride Transport Services \$1m, Crown Range SPR Sealed Road Resurfacing \$1.3m
May Reforecast Deferrals	- 4,667,087		HIF Quail Rise Transport \$3.5m, Gordon Rd Pump Station \$807k
Subtotal Deferrals		- 112,023,658	
New Budgets Approved			
External Funding	2,805,938		TIF 2 Toilets \$2.2m, TIF 3 Freedom Camping \$614k
Other New Projects	2,695,000		Frankton Campground \$858k, Alpha Series SW bypass \$860k, Kinloch New Wharf \$315k, Parks Emergency reinstatement costs (flooding events) \$230k, Coneburn Valley WW Network \$200k
Subtotal New Budget approved		5,500,938	
Budget Brought Forward 20/21 & Beyond to 19/20			
November Reforecast Brought Forwards	756,037		Shotover Bridge Arthurs Point \$500k, Alpine Aqualand building renewals \$157k
March Reforecast Brought Forwards	607,120		Network Consents Programme \$323k, 3 Waters PMO \$284k
- Other	66,000		3 Waters PMO \$66k
Subtotal Brought Forwards		1,429,157	
Other Adjustments		- 3,826,417	Landfill Gas Capture \$1.8m surplus (as transfer to Opex), balance is predominantly surplus budget transfers (allocated to new projects)
Adjusted Capital Budget 19/20		101,654,686	
Actual Spend 19/20		58,340,730	
Adjusted Budget less Actual Spend		43,313,956	
Additional Carry Forwards June 20		33,488,216	
Carry Forwards 19-20 Previously Approved		34,262,189	
Total Carry Forward for Approval June 20		67,658,649	

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

33 The following Council policies, strategies and bylaws were considered:

- Policy on Significance – 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. The policy of significance therefore does not apply.
- Ten Year Plan 2018- 2028
- Annual Plan 2020/21

34 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

35 The recommended option:

- 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 providing budget for the completion of the 2018-19 Capital Programme;
- Is consistent with the Council'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 the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Capital Carry Forwards from 2019/20 to 2020/21
B	Operational Carry Forwards for 2019/20 to 2020/21