

QLDC Council
8 August 2019

Report for Agenda Item | Rīpoata moto e Rāraki take: 9

Department: Property & Infrastructure

Title | Taitara Budget Carry Forwards for 2018/19

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

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

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report;
2. **Authorise** adjustments to the budgets for the 2019/20 financial year in order to provide for capital expenditure carry forwards of \$47,143,789 as included in Attachment A; and
3. **Authorise** adjustments to the budgets for the 2019/20 financial year in order to provide for operational credit carry forwards of -\$24,069,399 (net credit) as included in Attachment B.

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25/07/2019

Reviewed and Authorised by:



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25/07/2019

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 2019, the budget manager must request that funding be carried forward from 2018/19 to 2019/20.
- 3 2018/19 was the first year of the 2018-28 LTP, which saw a substantial increase in annual plan budgets (including carry forwards) from \$73m across 253 projects in 2017/18 to \$138m across 350 projects in 2018/19. Some of the reasons for the large number of carry forwards from 2018/19 to 2019/20 include:
 - a. A substantial number of projects across the Programmes remain in early stages of design with construction planned in future years of the LTP.
 - b. There are a number of major Roothing projects which are in various stages of NZTA approval. The largest of which, the Queenstown Arterials and Town Centre Pedestrianisation are still awaiting NZTA approval for funding to proceed. Ballantyne road was only approved by NZTA after the 2018/19 sealing season was over so will be completed next summer. The Park and Ride options are awaiting mass rapid transit interventions to proceed and active travel programme are dependent on the business cases and master planning activities underway. \$1m of Minor improvements Wanaka funding for the Lakefront shared path was reallocated in the May reforecast to the Anderson Road cycleway and underpass following decisions pending on design of the lakefront. The Business Case for the Queenstown Parking Improvements is complete and detailed design and consenting for Boundary St is in progress. Ballarat St Parking building has been removed from the programme. Alternative Parking facilities is being considered through an RFP. Transport carry forwards total \$12.4m.
 - c. The complexity and scale of the 3 Waters Programme has led to a bundled approach to take this work to market. To ensure the efficient and effective delivery of asset improvements, similar and compatible types of work have been bundled together into packages, representing approximately 60 projects. A number of project budgets in the 3 year programme have been re-phased to reflect this delivery approach and are consistent with the long term plan. This approach was agreed early in the financial year by Council following a detailed industry engagement. Water Supply carry forwards total \$8.5m, Waste Water \$5.6m and renewals \$0.7m.
 - d. A number of projects are awaiting results from modelling outcomes or investigations to inform how the budget should be prioritised, or have been carried forward due to delays in the design process and/or start of construction. Stormwater Carry forwards total \$1.3m with an additional \$2.4m of costs to come for North East Frankton Stormwater, which is due to be completed August 2019. Storm Water carry forwards total \$3.7m.

- e. Solid Waste projects are underway to upgrade facilities in-line with the new contract which was implemented as at 1st July 2019. Solid Waste carry forwards total \$1.1m.
 - f. A number of HIF (Housing Infrastructure Fund) projects have been delayed due to the Council decision in April around proposed Special Housing Areas in Ladies Mile. Kingston has been dependent on the developer agreements which have now been reached. Carry forwards total \$2.0m.
 - g. The Lakeview Development projects are dependent on developer and lease agreements which are in process. Carry forwards total \$0.8m.
 - h. Property includes a number of projects which were created part way through 2018/19 due to the availability for prefab units and need for council office expansion and community facilities. The Wanaka Land Provision carry forward of \$2.0m was just a provision for a land purchase which has not yet been defined. Property carry forwards excluding Project Manawa total \$4.7m.
 - i. Project Manawa, which includes the new council office and civic heart precinct in Queenstown, has involved working through the new joint venture agreement with Ngai Tahu before the projects can be progressed further. The agreement was reached with Ngai Tahu at the June 2019 council meeting. Carry forwards total \$0.5m.
 - j. Parks carry forwards total \$3.8m of which \$2.1m relates to the Wanaka lakefront Development Plan which was put on hold awaiting outcomes from the Millennium Tiles discussions and options to offset parking to be removed from the Lakefront.
 - k. Venues & Facilities have significantly reprioritised and rescheduled works due to the QEC pool roof tile and ventilation project. \$0.9m was deferred to 2019/20 for the Two new courts to current stadium project and a number of renewal projects need to wait until the shut-down period of the pool in September to December. Carry forwards total \$2.9m.
- 4 Once the carry forward is approved, the budget for 2019/20 is then adjusted. Note the carry forwards that were approved as part of the December 19 reforecast totalling \$40.1m were adjusted against the 2019/20 budget. The carry forwards indicated in this report represent those signalled in 2019 only.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 5 The process for approving carry forwards for inclusion in the 2019/20 budget is as follows:
- a) Initial requests for carry forward called for by 12th July 2019
 - b) Carry forward requests reviewed by GM, CEO, & CFO
 - 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 31st July
- e) Consideration by full Council on 8 August 2019

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 GL 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.
- 6 In addition to the these basic principles, the executive sought to minimise carry forwards by testing requests against provision of budgets in the 2019/20 year.
 - 7 Most of the final carry forwards reflect the situation where the project is committed and is underway but incomplete at 30 June 2019.

Options

- 8 Option 1 Authorise the Carry Forwards and adjust the 2019/20 budget

Advantages:

- 9 Provides budget for previously approved projects in the year that the work is carried out.

Disadvantages

- 10 None
- 11 Option 2 Do not authorise the Carry Forwards and do not adjust the 2018/19 budget
- 12 This report recommends **Option 1** for addressing the matter.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 13 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.
- 14 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

15 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

16 The approved capital budget for the 2018/19 Annual Plan totalled \$114.6m, this was further supplemented by \$23.2m of carried forward budget from the 2017/18 financial year. Adjustments to this budget have been agreed throughout the year. A summary of these movements is detailed below in Table A.

17 The actual expenditure in 2018/19 was \$75.6m, which was 72% of the adjusted budget of \$104.3m as at 30 June 2019. This includes \$13.5m budget and actual cost for the 516 Ladies Mile Highway land purchase which is still awaiting title to be received as at 30th June 2019 so will be accrued to 19/20 as an after year end adjustment.

18 The total of capital carry forward requests from 2018/19 to 2019/20 for approval now by Council is \$47.1m. Refer Attachment A.

19 The total operational carry forward requests approved by senior executives is \$24.1m (2017/18 to 2018/19 was \$0.7m). \$24.8m of this due to timing of potential land sale proceeds. The balance totalling \$0.7m includes \$157k for corporate projects including Vision 2050, Climate Change and Spatial Plan; \$413k for District Plan legal fees; \$90k for building services weather tightness legal costs and \$70k for Community and cultural strategies. The timing of Coronet Forest Harvest has also been deferred with \$2.4m income and corresponding expense deferred (Net impact is Nil).

20 The financial impact on approved budgets for 2019/20 is neutral because the approved funding from 2018/19 is also brought forward. The funding will be a mix of loans, transfers from reserves (depreciation, development contributions and land sales), NZTA subsidy and rates.

Table A

Summary of 2018/19 CAPEX Budget Adjustments	\$	\$	Comments
Original Total Annual Plan Budget 18/19		114,601,787	
Budget carried forwards from 17/18 to 18/19		23,249,699	
Adjustments throughout the year - carry forwards, new projects & brought Forwards			
Budget Carry Forwards 18/19 to 19/20 & Beyond			
December Reforecast Deferrals (Updated in 19/20 AP)	- 40,117,603		Qtn Parking Improvements \$8.7k, Proj Connect \$5.3m, Kingston HIF \$3.2m, Qtn Town Ctr Pedestrianisation \$2.4m, Lakeview Development \$3.4m
April Reforecast Deferrals	- 14,753,000		Ballantyne Rd \$2m, Glenorchy SPR Minor Improvements \$1.3m, Arrowtown new WPS & bores \$938k, Two new courts added to current stadium \$850k, Beacon Point new Reservoir \$700k
May Reforecast Deferrals	- 4,400,000		\$2.05m Wanaka Lakefront Development Plan, \$2m Wanaka Land Reserve, \$0.3m Park & Ride
Subtotal Carry Forwards		- 59,270,603	
New Budgets Approved			
516 Ladies Mile Purchase	13,478,261		Not yet acquired as at 30 June 19. To be moved out to 19/20 as a year end adjustment
Funding from Grants/External Funding	1,318,735		Freedom Camping Tif 3 \$530k, Responsible Camping Strategy \$225k, Glenorchy Toilet TIF \$201k, Jack Reid Park Upgrades \$106k
Other New Projects	2,645,527		Coronet Forest CODC purchase \$627k, Luggage Hall Prefab \$402k, Bradley Bldg \$378k, Wanaka Rec Ctr Prefab \$352k, Wanaka Skate Park upgrade
Subtotal New Budget approved		17,442,523	
Budget Brought Forward into 18/19			
December Reforecast Brought Forwards	4,151,840		Glenorchy SPR - Minor improvements \$769k, Wanaka WS Transmission Pipeline stage 1 \$690k, Quail Rise new Reservoir \$450k
April Reforecast Brought Forwards	3,769,476		Wharf 3 Queenstown Bay \$2.86m
- Other	500,000		Wanaka Town Ctr Master Plan \$500k
Subtotal Brought Forwards		8,421,316	
Other Adjustments		- 106,752	
Adjusted Capital Budget 18/19		104,337,970	
Actual Spend 18/19		75,599,694	
Adjusted budget less Actual Spend		28,738,276	
Additional Carry Forwards June 19		27,990,789	
Carry forwards 18-19 Previously approved		19,153,000	April & May deferrals only as December was adjusted against the 19/20 AP
Total Carry Forward for Approval June 19		47,143,789	

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

21 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 2019/20

22 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

23 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 2018/19 to 2019/20
B	Operational Carry Forwards for 2018/19 to 2019/20