

QLDC Council
23 April 2020

Report for Agenda Item | Rīpoata mot e Rāraki take 3

Department/ Property & Infrastructure

Title | Taitara 2019/20 Capital Works Programme – Second Re-forecast

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

The purpose of this report is to consider proposed amendments to the 2019/20 capital works programme for all Queenstown Lakes District Council capital projects.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council/

1. **Note** the contents of this report; and
2. **Approve** the budget changes proposed and detailed in Attachment A.

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9/04/2020

Reviewed and Authorised by:



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9/04/2020

CONTEXT | HORPOAKI

- 1 At the 28 June 2018 Council meeting, the Council resolved to adopt the 2018-28 Ten Year Plan, which included a capital investment programme.
- 2 In order to demonstrate sustainable management of the financial assets committed to the capital investment programme, this paper provides the Council oversight of proposed changes to the current year's capital programme and to gain approval to these changes.
- 3 This report is the second capex forecast review for the 2019/20 financial year.
- 4 This report breaks the programme into seven asset categories: Buildings and Libraries, Venues and Facilities, Parks and Reserves, Transport, Water Supply, Wastewater and Storm Water.
- 5 The current 2019/20 Adjusted Budget is \$137m which includes \$47m of carry forwards from 2018/19. A reduction of \$31m is recommended in this report largely due to timing of delivery across the programmes.

Buildings & Libraries

- 6 There is an increase in the 2019/20 budget of \$105k which offsets with a transfer of \$105k from Transport. A number of minor projects have either been completed or are no longer required. Funds are largely reallocated where additional costs have been identified. Glenorchy Town Pier was assessed for structural improvements but the upgrade is not necessary and funds of \$210k are being reallocated to a new project, Kinloch Wharf, along with \$105k transferred from Transport (Total proposed budget for Kinloch Wharf is \$315k).

Venues & Facilities

- 7 There is no change to the overall budget. \$82k has been reallocated from Wanaka Pool Scoreboards to Wanaka Rec Centre Sports Field Floodlights to cover increased costs.

Parks & Reserves

- 8 There is a decrease in the 2019/20 budget of \$1.8m. A new project Parks Emergency reinstatement costs has been set up for \$230k to reinstate tracks due to storm damage and recent flooding events. \$2m has been deferred for the Wanaka Lakefront Development Plan. Other adjustments are minor reallocations of existing budgets.

Transport

- 9 There is a decrease to the 2019/20 budget of \$3.8m due to a number of deferrals including Crown Range SPR Sealed Road Resurfacing \$1.3m, Wanaka Minor Improvements \$1.5m and Park and Ride Transport Services \$1.0m. Wanaka Town Centre Shared Space has been reallocated to the Wanaka Minor Improvements budget, both of which are within the NZTA subsidised minor improvements programme.

Water Supply

- 10 There is a decrease in budget of \$15.0m due to deferrals to 2020/21. A number of projects are awaiting consents, land agreements or delayed due to Covid-19.

Waste Water

- 11 There is a decrease in budget of \$9.2m, of which there are deferrals of \$9.5m to 2020/21. \$323k has been brought forward from 2020/21 for the Network Consents project for environmental court costs incurred. A number of projects are awaiting land agreements or delayed due to Covid-19. Kawarau Bridge Remarkables Park Wastewater Rising Main has been completed under budget with remaining budget of \$756k reallocated across Willow Place WWPS, Project Shotover Disposal Field and Coneburn Valley Wastewater Network.

Storm Water

- 12 There is a decrease in budget of \$1.3m, of which there are deferrals of \$1.5m to 2020/21. There are a number of minor brought forward budgets totalling \$284k for other minor reallocations within the storm water bundle. North East Frankton Storm Water has been completed under budget with \$882k reallocated. A new project Alpha Series Stormwater Bypass has been created which was identified through the Wānaka storm water bundle scope.

Lakeview Development

- 13 There is a further attachment for Lakeview which was approved at the March Council meeting to increase the overall budget by \$8.6m. There are no changes applied to 2019/20 but approval is sought for the 2020/21 and 2021/22 increases of \$3.0m and \$5.6m respectively in line with the Council paper.

Summary

- 14 The summary document for the reforecast is contained within Attachment A of this report. The change to 2019/20 is a reduction in budget spend required of \$30.8m.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 15 Contained within the asset group we have categorised projects as follows.
- 16 **New/Increased Budget:** Where additional or new funding is sought for existing projects or new projects are identified which the Council may consider suitable due to a change in legislation or some other business environment changes to those understood at the time of adopting the Annual Plan.
- 17 **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.

- 18 **Budget Deferred:** Projects that will not be completed within the current financial year but will be completed in future financial years. Deferred budgets cannot be used to fund other projects in the current financial year.
- 19 **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.
- 20 **Surplus:** Projects have been completed and have surplus funds available for reallocation to other projects.
- 21 Projects that are recommended to be deferred are being considered in conjunction with the 2020/21 Long-Term Plan programmes for synergies.
- 22 Where it is shown that the deferred projects cannot be delivered without affecting the 2020/21 Long-Term Plan programme, these projects will be stopped.
- 23 Stopped projects will then undergo a revised better business case and following the outcome of that process, programmed in a future Long-Term Plan.
- 24 Option 1 Approve the changes to the 2019/20 proposed capital works programme as proposed in Attachment A.

Advantages

- 25 Provides an opportunity for the Council to consider the latest recommendation from officers in respect to projects planned for 2019/20 financial year.
- 26 Provides the 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

- 27 This would change or delay the delivery of the projects consulted on and approved through the Long Term Planning (LTP) process.
- 28 Option 2 Status Quo, Do not approve the changes (do nothing option)

Advantages

- 29 This would ensure that there are no changes to the programme of projects consulted on and approved through the Long-Term Plan process.

Disadvantages

- 30 The Council will not be able to make changes to the capital programme to reflect the latest available information and investment will be less effective.
- 31 The Council will not be able to respond in a timely way to changes its operating environment and investment will be less effective.

32 Projects which have commenced and where sufficient alternate budget is available will be deferred, increasing the costs of delivery.

33 Option 3 Approve only some of the changes to the 2019/20 proposed capital works programme as proposed in Attachment A.

Advantages

34 Provides an opportunity for the Council to consider the latest recommendation from officers in respect to projects being delivered in the 2019/20 financial year.

35 Provides the 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

36 This would change or adjust the timing of the projects consulted on and approved through the Long Term Planning (LTP) process.

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

CONSULTATION PROCESS | HĀTEPE MATAPAKI

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

38 This matter is of low significance, as determined by reference to the Council’s Significance and Engagement Policy because the proposed project adjustments best reflect present day understanding of assumptions and project scope, and largely reflect amendments in project timings.

39 The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes district community.

40 It is not considered possible to consult fully on these changes if it is intended to complete the works within the current financial year.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

41 This matter relates to the financial risk category. It is associated with 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 seeks to amend projects contained within the 10-Year Plan.

42 The recommended option mitigates the risk by treating the risk - putting measures in place which directly impact the risk. This is achieved through ensuring that the right projects are being funded and completed based on the most recent information available to Council officers.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 43 The financial implications are outlined in Attachment A which shows a \$31m reduction against the current 2019/20 adjusted budget of \$137m.
- 44 The proposed changes will be implemented through current funding under the 10-Year Plan and Annual Plan.

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

- 45 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.
- 46 The recommended option is consistent with the principles set out in the named policy/policies.
- 47 This matter is included in the Ten Year Plan/Annual Plan
 - The projects identified form part of the capital works projects for the 2019/20 and 2020/21 financial year.

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

- 48 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 ensuring that the right projects are completed at the right time;
 - 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 WORKS PROGRAMME SECOND RE-FORECAST 2019-20
B	LAKEVIEW BUDGET ADJUSTMENT