

QLDC Council

12 December 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [2]

Department: Assurance, Finance & Risk

Title | Taitara : Capital Works December 2024 Reforecast

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to seek approval of proposed amendments to Queenstown Lakes District Council's (QLDC) capital works programme budgets as set out in the 2024-34 Long Term Plan (LTP).

Executive Summary | Whakarāpopototaka Matua

- Following approval in October 2024 of more urgent adjustments required to the 2024/25 Annual Plan and associated 2024-34 LTP, this is the second capital reforecast of the 2024/25 financial year. This considers recommended adjustments to the balance of the current capital works programme based on the latest information available to Council officers.
- The total change proposed in this report to the 2024/25 Annual Plan (year 1 of the LTP) is a decrease of \$15.4M (9%) to capital cost budgets. This is further supplemented with additional third-party funding/revenue to be received of \$1.3M. The reduction to year 1 is largely offset with deferrals into the following years of the LTP which will be further reviewed and refined as part of the 2025/26 Annual Plan review process.
- Regular capital works reforecasting is a crucial part of the local government project management lifecycle as it:
 - **Ensures Financial Accountability and Transparency** - Accurate forecasting and regular budget adjustments ensure that funds are allocated efficiently and spent responsibly.
 - **Helps to manage Project Risks, Opportunities and Uncertainties** - Regular budget adjustments allow project managers to account for uncertainties and adapt to new information such as changing market conditions, unexpected site conditions, regulatory changes, developer agreements, third party funding, weather events, alignment with contractor programmes and flexibility towards shifting community priorities.
 - **Aligns Resources with Project Needs** - Enables the prioritisation and reallocation of resources ensuring they are used where most needed.
 - **Improves Project Performance and Deliverables** - Helps to identify potential bottlenecks or budgetary constraints early, allowing project managers to take corrective actions before issues escalate, ensuring projects can remain on schedule and within the expected performance metrics.

- Enhances Stakeholder Confidence - Transparent forecasting and budget adjustments communicate that the project is being carefully monitored, reducing concerns about waste, inefficiency, or mismanagement. It provides an approval gateway giving visibility to councillors and senior leadership which gives surety to project managers to continue to progress a project during periods of change or uncertainty.
- Facilitates Long-Term Planning - Financial planning is improved by having a live adjusted long term plan which provides valuable data that can inform future capital project strategies, helping to optimize financial planning and securing funding. Regularly updated accurate budget modelling enables debt levels to be carefully managed and means the beginning of each LTP cycle is not started anew.
- The Council has robust internal project management process which ensure that project scope, risks, delivery timeframes are being managed.

Recommendation | Kā Tūtohuka

That the Council:

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

Prepared by:



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Title: Senior Management Accountant -
Projects
18 November 2024

Reviewed and Authorised by:

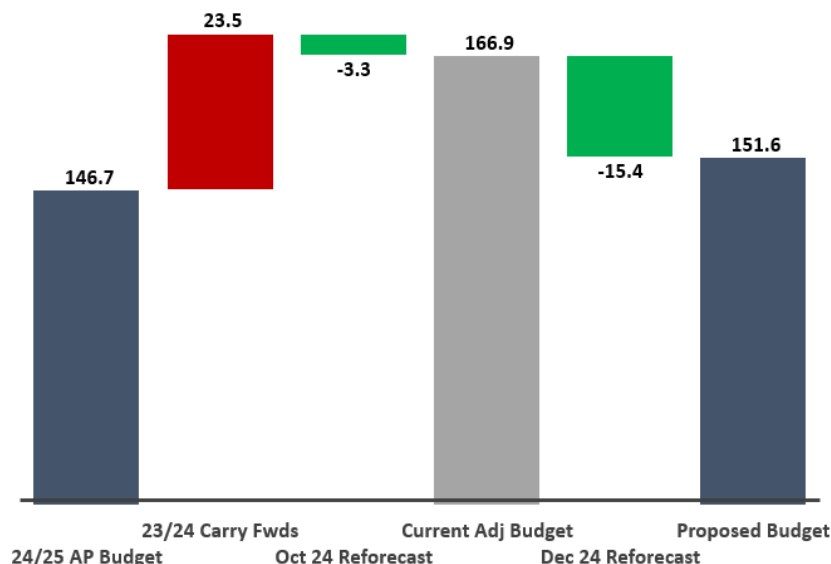


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18 November 2024

Context | Horopaki

1. QLDC 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 requested changes to the Annual Plan, reasons for such changes, and any arising risks, impacts or opportunities. This report presents the second capital works reforecast of the 2024/25 financial year.
2. High level changes are presented in the ‘Analysis and Advice’ section of this report below, and set out in further detail by project in Attachment A.
3. The existing approved 2024/25 Annual Plan adjusted budget is \$166.9M which includes \$23.5M of net carry forwards from 2023/24 and a reduction of \$3.3M approved in the October 2024 Reforecast council paper. This report proposes a further total capital cost decrease of \$15.4M which will bring the 2024/25 approved adjusted budget to \$151.6M.
4. This is supplemented with third-party funding of \$1.1M from surplus within the Government Transport Choices Fund for route C5 Arthurs Point to CBD Active Travel (delivered under budget), towards Wānaka Schools to Pool Active Travel and further work on route C5. A further \$0.2M funding is expected from NZTA towards Crown Range Resilience announced since the National Land Transport Programme (NLTP) initial approved programme in September. The transport funding options report going to Council in December discusses corresponding adjustments to years 2 & 3.

Figure 1: Summary of changes approved and proposed to 2024/25 (LTP Year 1) capital budgets (\$M’s):

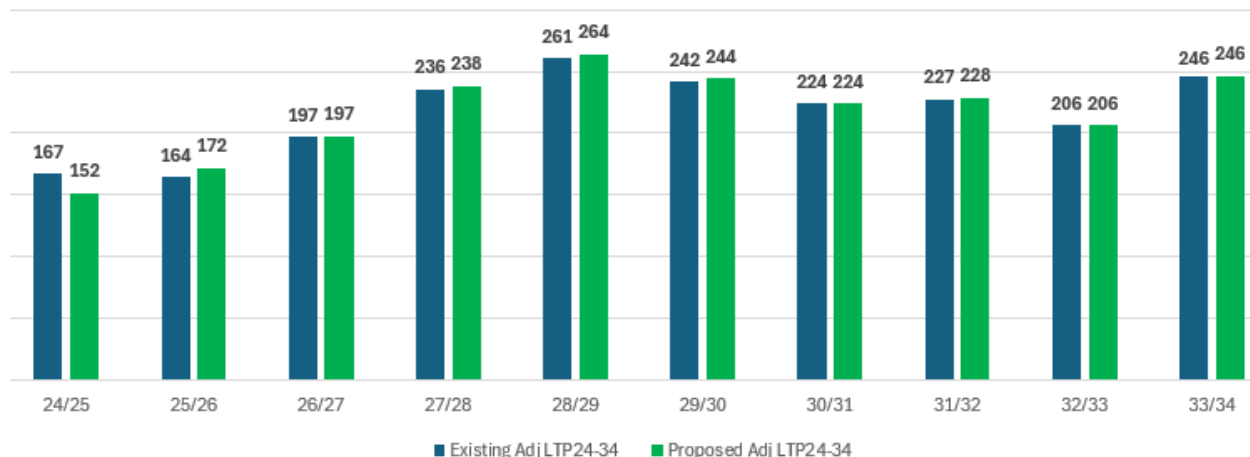


5. The existing approved 2024-34 LTP adjusted budget is \$2.17B which includes \$23.5M of net carry forwards from 2023/24 and a decrease of \$15.5M within the October 2024 reforecast council paper. The changes proposed in this paper increases the total capital cost LTP budget by \$2.2M which is offset with increased third-party funding of \$1.3M.

Figure 2a: Table of existing and proposed LTP 2024-34 capital budgets (\$M):

	Yrs 1-10	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Existing Adj LTP24-34	2,170	166.9	164.2	196.6	235.9	260.7	241.6	224.0	227.4	206.4	246.4
December Reforecast	2.2	-15.4	7.8	0.7	1.9	3.6	2.6	0.0	1.0	0.0	0.0
Proposed Adj LTP24-34	2,172	151.6	171.9	197.3	237.8	264.3	244.2	224.0	228.4	206.4	246.4

Figure 2b: Summary of existing and proposed LTP 2024-34 capital budgets (\$M):



6. Note all LTP budgets stated in this report are in year 1 (2024/25) uninflated \$'s for all years.

Analysis and Advice | Tatāritaka me kā Tohutohu

7. This is a standard annual report as part of QLDC's structured reforecasting process. Capital works naturally cross many years within a project lifecycle, which don't often align with annual financial years. Typically, after budgets have been adjusted for carry forwards from prior years, a rephasing is required to ensure cashflow forecasts are more closely aligned with budget phasing to optimise the programme.

Key Changes by Programme

8. A detailed list of proposed changes by project is shown and explained in Attachment A. The following chart and table summarises the overall movement to the 2024/25 Annual Plan by programme.

Figure 2: Summary of 2024:25 Budget Movement by Programme:

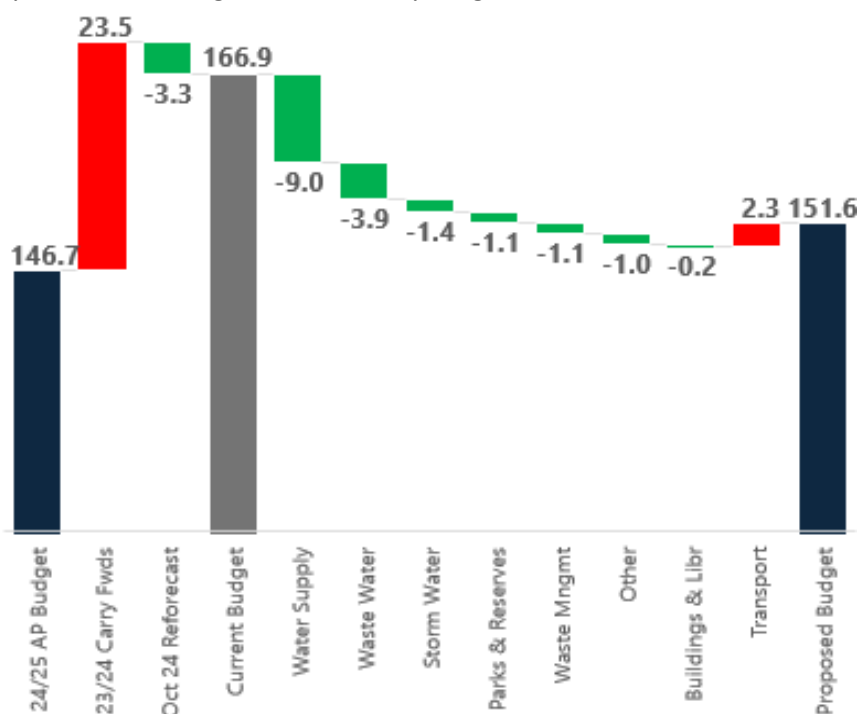


Table 1: Summary of 2024:25 Changes by Programme:

PROGRAMME	CHANGE \$M's	COMMENTS
WATER SUPPLY (WS)	-9.0	Majority of changes reflect revised project delivery timelines including deferrals of \$4.0M for Compliance Response UV Treatment, \$3.1M for Kingston New WS Scheme, and \$0.9M for Hāwea Level of Service Improvements. \$2.1M deferral for Hāwea Water Supply Demand Management relates to a forecast delivery surplus and retention of that surplus for repurposing in future.
WASTE WATER	-3.9	Majority of changes reflect revised project delivery timelines including deferrals of \$2.0M for Project Pure Aeration Grid Renewal, \$1.9m for CBD to Frankton Reticulation and \$1.7M for Upper Clutha Conveyance Scheme. Offset with brought forwards of \$1.2M for Hanley's Farm Pump Station and \$492k for Shotover Disposal Field.
STORM WATER	-1.4	Predominantly due to a deferral of \$1.3M for Kingston Storm Water Scheme, along with transfers of \$400k which responds to an opportunity to futureproof stormwater infrastructure with works co-ordinated alongside the State Highway 6/6A intersection improvement project.
PARKS & RESERVES	-1.1	Includes a deferral of \$0.6M for Coronet Forest in line with the agreed contract schedule and \$0.5M for rockfall mitigation design.
WASTE MANAGEMENT	-1.1	Includes deferral of \$1.0M for New Waste Facilities based on current design programme.

OTHER	-1.0	Deferrals of \$500k for Whakatipu Priority Growth Areas and \$123k for Procurement Systems along with \$340k reallocated towards SH6/6A Storm Water upgrades
BUILDINGS & LIBRARIES	-0.2	Deferrals of \$155k for Queenstown Bay Masterplan and \$50k for Libraries Digital Repository. Plus minor transfers.
TRANSPORT	2.3	Predominantly transfers between transport projects to maximise subsidies including \$1.1M from the Transport Choices fund towards Wānaka School to Pool Active Travel and Arthurs Point to CBD Active Travel. Plus \$195k for the recently announced additional NZTA funding towards Crown Range Resilience. In addition there is new funding of \$552k required to meet QLDC's obligations associated with developer-delivered works on Fryer Street.
TOTAL	-15.4	

9. Note, since preparing this report there has been a surge of weather-related events which are likely to require funding adjustments, but are not captured in this report. The quantum and timing will be worked through in the coming weeks.

Options

10. Option 1 Approve the changes to the 2024/25 Annual Plan and 2024-34 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.

11. 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.

12. **Option 3** Approve only some of the changes to the 2024/25 Annual Plan and 2024-34 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.

13. 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 2024/25 Annual Plan and associated LTP budget setting processes and to maintain debt levels within prescribed funding parameters.

14. 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

15. 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

16. This matter relates to the business continuity risk category. It is associated with RISK10035 'Ineffective business processes' within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating. Approval of the recommended option will allow the Council to avoid the risk by reprioritising funding to ensure delivery of projects as set out in the LTP.

Financial Implications | Kā Riteka ā-Pūtea

17. Approval of the recommended option will decrease planned 2024/25 Annual Plan capital expenditure to \$151.6M, a \$15.4M decrease from the existing adjusted Annual Plan budget of \$166.9M. This is supplemented with addition third party funding revenue of \$1.3M.
18. Approval of the recommended option will increase the ten year 2024-34 planned capital expenditure to \$2.172B (a \$2.2M increase from the existing adjusted LLTP budget of \$2.170B). This is supplemented with addition third party funding revenue of \$1.3M.

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

19. 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.
20. This report considers changes to budgets that were consulted and approved through the 2024 LTP adoption process.

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

21. 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.

The recommended option:

- Can be implemented through current funding under the LTP
- 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

A	Summary of Proposed Changes – Capital Works December 2024 Reforecast
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