

QLDC Council
25 June 2020

Report for Agenda Item | Rīpoata mot e Rāraki take: 2

Department: Property & Infrastructure

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

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 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.

Prepared by:



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10/06/2020

Reviewed and Authorised by:



Mike Theelen
Chief Executive
10/06/2020

CONTEXT | HORPOAKI

- 1 At the 28 June 2018 meeting of the Queenstown Lakes District Council, 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 third capex forecast review for the 2019/20 financial year.
- 4 This report breaks the programme into seven asset categories: Buildings and Libraries, Information Management, Venues and Facilities, Transport, Water Supply, Wastewater and Storm Water.
- 5 The current 2019:20 Adjusted Budget is \$106.1m which includes \$47m of carry forwards added from 2018/19 and the adjustments completed through the November and March reforecasts. A reduction of \$4.6m is recommended in this report largely due to timing of delivery across the programmes. This will bring the revised adjusted budget to \$101.5m.

6 **Information Management**

Minor reallocation of \$35k from GIS Software and Projects to Mobile Computing to support work from home office trials and COVID-19 response.

7 **Venues & Facilities**

No change to the overall budget. \$2m transferred to artificial turf programme from two new courts at QEC stadium and \$57k minor reallocations between projects.

8 **Buildings & Libraries**

\$41k reallocation from Wānaka Arts Centre to Wānaka Library building to cover weather tightness solutions.

9 **Transport**

Decrease in 2019/20 budget of \$3.5m due to a number of deferrals to 2021/22 with HIF Quail Rise Hawthorne Drive projects which are dependent on NZTA approved funding, including \$3.2m for Stage 1, \$257k for stage 2 and \$87k for the underpass. To date NZTA has approved \$441k for pre-implementation.

10 **Water Supply**

Decrease in 2019/20 budget of \$959k due to transfers to critical wastewater renewals projects in Queenstown and Wānaka. This includes \$197k of additional budget for Arthur's Point Water Treatment Plant minor upgrades to the second borehead (for the drinking water supply bore) to meet compliance with our standards (and best practice). This will improve water safety for the Arthur's Point Scheme.

11 Waste Water

The increase in 2019/20 budget of \$1.2m is to be re-allocated from Water Supply and Storm Water renewals projects to focus on critical wastewater renewals. The increase of \$1m for Queenstown Waste Water Renewals includes RESA Sewer reline (\$200k), Gorge Road Sewer Reline (\$260k), Marine Parade Generator Replacement (\$400k) and Frankton Track sewer lining at Cecil Road (\$135k). The increase of \$0.5m for Wānaka Waste Water Renewals is to cover additional costs spent and committed including Dungarvon Waste Water Pump Station upgrade and Hunter Crescent lateral renewals. Budgets for Gordon Road Pump Station (\$807k) and Remarkables Park Waste Water network & pump station upgrade (\$394k) have been deferred to year 4 (21/22) and year 5 (22/23).

Storm Water

- 12 Decrease in 2019/20 budget of \$138k due to \$204k reallocation of Storm Water renewals to critical Waste Water renewals offset by \$66k brought forward from 2021/22 for the Mount Aspiring College Storm Water drainage update project.

Summary

- 13 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 \$4.6m.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 14 Contained within the asset group we have categorised projects as follows:
 - 15 **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.
 - 16 **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.
 - 17 **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.
 - 18 **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.
 - 19 **Surplus:** Projects have been completed and have surplus funds available for reallocation to other projects.

- 20 Projects that are recommended to be deferred are being considered in conjunction with the 2020/21 LTP programmes for synergies.
- 21 Where it is shown that the deferred projects cannot be delivered without affecting the 2020/21 LTP programme, these projects will be stopped.
- 22 Stopped projects will then undergo a revised better business case and following the outcome of that process, programmed in a future LTP.
- 23 Option 1 Approve the changes to the 2019/20 proposed capital works programme as proposed in Attachment A.

Advantages:

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

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

Advantages:

- 28 This would ensure that there are no changes to the programme of projects consulted on and approved through the Long Term Planning (LTP) process.

Disadvantages:

- 29 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.
- 30 The Council will not be able to respond in a timely way to changes in its operating environment and investment will be less effective.
- 31 Projects which have commenced and where sufficient alternative budget is available will be deferred, increasing the costs of delivery.

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

Advantages:

- 33 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.

- 34 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:

- 35 This would change or adjust the timing of the projects consulted on and approved through the Long Term Planning (LTP) process.
- 36 This report recommends **Option 1** for addressing the matter.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 37 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.
- 38 The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes district community.
- 39 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

- 40 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.
- 41 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

- 42 The financial implications are outlined in Attachment A which shows a \$4.6m reduction against the current 2019/20 adjusted budget of \$106m.
- 43 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

44 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.

45 The recommended option is consistent with the principles set out in the named policy/policies.

46 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

47 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	SUMMARY OF PROPOSED PROJECT CHANGES FOR MAY 2020 REFORECAST
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Attachment A - Summary of proposed project changes - May 2020 Capex Reforecast

Item	Dir	Programme	Project Code	Project Description	Budget 2019-20	Increased Budget	Budget Transfer	Budget Deferred	Brought Forward	Budget Forecast	Total Change to 2019/20	Change Comments
1	CORP	Information Management	000158	Mobile Computing	81,440		35,000			116,440	35,000	Covid-19 Response to support staff coming back into the office and kit (monitors keyboards etc.) to support work from home office trails
2		Information Management	000151	GIS software and projects	52,250		-35,000			17,250	-35,000	Underspend on programmed projects due to resourcing
		Information Management Total			133,690	0	0	0	0	133,690	0	x
3	CMTY	Venues and Facilities	000797	Arrowtown Hall - Renewals (Watershed)	0		8,447			8,447	8,447	Transfer from project 000809 to cover overspend on Athenaeum hall roof work
4			000809	QEC sports field floodlights replacement	150,000		-8,447			141,553	-8,447	Underspend to cover overspend on Athenaeum hall roof work on project 000797
5			000823	Arrowtown Pool - Plant and equipment	15,418		-15,418			0	-15,418	Budget transfer to cover overspend on project 000912 as late invoice received for completion of Jack Reid park capex project with no remaining budget in 19/20
7			000912	Jack Reid Field Improvements	0		15,418			15,418	15,418	Budget transfer from project 000823 to cover overspend as late invoice received for completion of 2018/19 project
6			000842	Wanaka Pool - Scoreboards	41,750		-33,069			8,681	-33,069	Budget transfer to project 000918 to cover additional costs for WRC perimeter
8			000918	Wanaka Pool Building & Storage Works	50,000		33,069			83,069	33,069	Transferred from project 000842 to cover additional costs for WRC perimeter fencing.
9			000829	Two new courts added to current stadium	2,119,870		-2,060,041			59,828	-2,060,041	Transfer \$2.06m budget to Artificial Turf Programme project 000913. Sufficient budget in 2020/21 to progress design with construction to be considered through the next LTP. Note the 2019/20 budget was previously re-prioritised to the QEC Roof and Ventilation Improvements.
10			000913	Artificial Turf Programme	122,089		2,060,041			2,182,131	2,060,041	Transfer of \$2.06m budget from project 000829 Two New Courts. Budget to be carried forward to 20/21 at year end. There was originally \$2.5m total budget in the LTP programmed to be completed in 19/20 but \$2.4m was re-prioritised to cover the cost escalation for the QEC Roof and Ventilation Improvements project in the Nov 19 reforecast. Project management panel to be appointed in June, with design and build procurement to progress from July and construction to start before December 2020 with completion towards the end of July 2021.
		Venues and Facilities Total			2,499,127	0	0	0	0	2,499,127	0	
12	INF	Buildings	000297	Wanaka Arts Centre	40,680		-40,680			0	-40,680	Funds to be reallocated to Wanaka library weather tightness project 000223
13		Libraries	000223	Wanaka Library Building	102,713		40,680			143,393	40,680	Transfer from project 000297 for weather tightness solutions
		Buildings, Libraries Total			143,393	0	0	0	0	143,393	0	
15		Transport	000910	HIF Quail Rise to Hawthorne Dr Stage 1	3,191,526			-3,120,879		70,647	-3,120,879	Defer \$2.1m to 20/21, remaining \$1.02m to 21/22. Development delayed due to disagreement from landowners and mediation issues around land zoning. Decision has been now been aligned on link road so QLDC can start working on agreement and this project.
16			000977	HIF Quail Rise to Hawthorne Dr Stage 2	257,841			-257,841		0	-257,841	Defer \$258k to 21/22. Development delayed due to disagreement from landowners and mediation issues around land zoning. Decision has been now been aligned on link road so QLDC can start working on agreement and this project.
17			000978	HIF Quail Rise to Hawthorne Drive Underp	129,151			-87,000		42,151	-87,000	Defer to Year 4 21/22. Underpass to be completed after Stage 1 & 2 HIF projects complete.
		Transport Total			3,578,517	0	0	-3,465,720	0	112,798	-3,465,720	
18		Water Supply	000011	Water Supply - Renewals - Arthurs Pt	47,079		-47,079			0	-47,079	Focus on critical renewals. Transfer budget to Project 000345
19			000012	Water Supply - Renewals - Lake Hayes	97,972		-43,273			54,699	-43,273	Focus on critical renewals. Transfer budget to Project 000345
20			000560	Wastewater Treatment Screenings Facility	241,521		-106,248			135,273	-106,248	Transfer underspend to project 000345 (Arthurs Point WTP)
21			000345	Arthur's Point WTP minor upgrades	0		196,600			196,600	196,600	Transfer from budget on projects 000011, 000012 and 000560 to cover upgrades required on Arthurs Point WTP. 18/19 project was underspent by \$35k but not carried forward.
22			000006	Water Supply - Renewals - Queenstown	1,199,278		-524,278			675,000	-524,278	Focus on critical WW renewals. Transfer underspend to 000024 (Wastewater Renewals Queenstown)
23			000007	Water Supply - Renewals - Wanaka	714,426		-478,062			236,364	-478,062	Underspend. Focus on critical WW renewals. Transfer underspend to project 000025 (Wastewater - Renewals - Wanaka)
24			000279	Shotover Country WS new Bore PS	40,568		20,966			61,534	20,966	Transfer from budget on 000280 (Shotover Country WS new WTP)
25			000280	Shotover Country WS new WTP	776,271		-20,966			755,305	-20,966	Transfer to overspend on project 000279 (Shotover Country WS new Bore PS)
26			000012	Water Supply - Renewals - Lake Hayes	97,972		-90,472			7,500	-90,472	Transfer to overspend on project 000024 (Waste Water Renewals Qtn)
27			000997	Water Supply Master plan update Wanaka	15,270		133,540			148,810	133,540	Transfer \$133k from project 000925 (Ballantyne Rd South WWPS)
		Water Supply Total			3,230,359	0	-959,272	0	0	2,271,087	-959,272	
28		Waste Water	000024	Wastewater - Renewals - Queenstown	698,315		986,685			1,685,000	986,685	Focus on critical WW renewals. Transfer underspends from 3 waters renewals projects (000026, 000028, 000046, 000012, 000006, 000030) to cover overspend.
29			000025	Wastewater - Renewals - Wanaka	656,938		478,062			1,135,000	478,062	Transfer underspend from project: 000007 (Water Supply - Renewals - Wanaka)
30			000026	Wastewater - Renewals - Arrowtown	121,030		-95,030			26,000	-95,030	Transfer underspend to 000024 (Wastewater Renewals Queenstown)
31			000028	Wastewater - Renewals - Lake Hayes	129,201		-57,201			72,000	-57,201	Transfer underspend to 000024 (Wastewater Renewals Queenstown)
32			000030	Wastewater - Renewals - Arthurs Point	25,000		-15,251			9,749	-15,251	Transfer underspend to 000024 (Wastewater Renewals Queenstown)

Item	Dir	Programme	Project Code	Project Description	Budget 2019-20	Increased Budget	Budget Transfer	Budget Deferred	Brought Forward	Budget Forecast	Total Change to 2019/20	Change Comments
33			000324	Gordon Road Pump Station upgrade	807,426			-807,426		0	-807,426	Defer to Year 4 21/22. The upgrade to Gordon's Road PS was predominately due to growth, including Brightsky Development and Alpha Series. Council preferential outcome was to gravity the wastewater from Brightsky to Frederick St and oppose to upgrading the pump station. Due to the change in programme of the Brightsky Development, the timing of this scope of works can also change.
34			000359	Remarkables Park WW network & PS upgrade	393,941			-393,941		0	-393,941	Defer to Year 5 22/23. Main driver for the development of this is Remarkables Park. At this stage we do not have an indication as to when pump station is required.
35			000925	Ballantyne Road South WWPS upgrades	324,500		-233,540			90,960	-233,540	Project no longer required. Transfer remaining balance across 000989, 000997. Remaining budget for actuals and committed costs.
36			000989	Wanaka WW Master Planning	10,180		100,000			110,180	100,000	Transfer \$100k from project 000925 (Ballantyne Rd South WWPS)
		Waste Water Total			3,166,531	0	1,163,725	-1,201,367	0	3,128,889	-37,642	
37		Storm Water	000949	Mt Aspiring College SW drainage upgrade	45,000				66,000	111,000	66,000	Bring forward \$66k from 21/22 to cover scoping works completed
38			000046	Stormwater - Renewals - Wakatipu	509,453		-204,453			305,000	-204,453	Focus on critical WW renewals. Transfer underspend to 000024 (Wastewater Renewals Queenstown)
39			000899	Bremner Park Rd - Lake new SW outlet	14,809		-4,275			10,534	-4,275	Transfer to project 000948 (Wiley Rd - Beacon Pt new SW outlet)
40			000948	Wiley Rd - Beacon Pt new SW outlet	27,166		4,275			31,441	4,275	Transfer from 000899 (Bremner Park Rd - Lake new SW outlet)
		Storm Water Total			596,428	0	-204,453	0	66,000	457,975	-138,453	
				Grand Total	13,348,044	0	0	-4,667,087	66,000	8,746,957	-4,601,087	