

**QLDC Council
20 April 2017**

Report for Agenda Item: 5

Department: Property & Infrastructure

Title: 2016/17 Capital Works Programme – Second Re-forecast

The purpose of this report is to consider proposed amendments to the 2016/17 capital works programme for property and infrastructure projects.

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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3/04/2017

Reviewed and Authorised by:



Mike Theelen
Chief Executive

3/04/2017

- 1 At the 30 June 2016 meeting of the Queenstown Lakes District Council, the Council resolved to adopt the 2016/17 Annual Plan.
- 2 In order to provide the Council oversight of any changes proposed to the capital works programme and to gain approval to these changes, the Property and Infrastructure Department provides the Council with regular updates and proposed re-forecasts of the current year capital works programme.
- 3 This report is the second capex forecast review for the 2016/17 financial year.
- 4 The summary document is contained within Attachment A of this report.
- 5 This report breaks the programme into eight asset categories: Buildings, Camp Grounds, Parks and Reserves, Transportation, Solid Waste, Storm Water, Waste Water and Water Supply.
- 6 Contained within the asset group we have categorised projects as follows:
- 7 **New:** Where additional (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.

- 8 **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.
- 9 **Defer:** Projects that will not be completed within the current financial year but will be completed in the 2017/18 financial year. Deferred budgets cannot be used to fund other projects in the current financial year.
- 10 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
- 11 Option 1 Approve the changes to the 2016/17 proposed capital works programme as proposed in Attachment A.

Advantages:

- 12 Provides an opportunity for the Council to consider the latest recommendation from officers in respect to projects planned for 2016/17 financial year
- 13 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:

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

Advantages:

- 16 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:

- 17 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.
- 18 The Council will not be able to respond in a timely way to changes its operating environment and investment will be less effective.
- 19 Projects which have commenced and where sufficient alternate budget is available will be deferred, increasing the costs of delivery.
- 20 Option 3 Approve only some of the changes to the 2016/17 proposed capital works programme as proposed in Attachment A.

Advantages:

- 21 Provides an opportunity for the Council to consider the latest recommendation from officers in respect to projects being delivered in the 2016/17 financial year.
- 22 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:

- 23 This would change or adjust the timing of the projects consulted on and approved through the Long Term Planning (LTP) process.
- 24 This report recommends **Option 1** for addressing the matter.
- 25 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy. The proposed project adjustments are of relatively low value or, in the case of projects; Hawthorne Drive (EAR), Project Shotover Stage 2 – Disposal Field, Wanaka Lakefront Reclamation and Shotover Country Water Supply Treatment, budget adjustments best reflect the project scope.
- 26 This matter related to the operational 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 seeks to amend projects contained within the 10-Year Plan.
- 27 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.
- 28 The financial implications are outlined in Attachment A.
- 29 The following Council Policies 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.
- 30 This matter is included in the 10-Year Plan/Annual Plan:
 - The projects identified form part of the capital works projects for the 2016/17 financial year.
- 31 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.

32 Most of the proposed changes can be implemented through current funding under the 10-Year Plan and Annual Plan. The exceptions are listed in the financial section of this report.

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

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

ATTACHMENTS

A Summary of proposed project changes.

Attachment A: Summary of proposed project changes.

Programme	Project Code	Project Description	2016_17 Budget	New	Budget transfer	Defer	Budget Forecast	2016_17 versus Forecast	Comments
Buildings	000101	Waterways Minor Repairs and Renewals Wakatipu	15,300		(8,500)		6,800	(8,500)	Waterways renewals programme complete across district. Transfer balance of budget to project 412 Sunshine Bay Jetty extension to progress with consenting.
	000412	Sunshine Bay Jetty Extension	10,000		6,500		16,500	6,500	
	000230	AMP Improvement - Libraries	15,200		4,800		20,000	4,800	Proposed budget increase to complete condition assessments, business cases of significant investments identified in the first three years of the LTP and preparation of Property Asset Management Plan.
	000374	AMP Improvement - Venues and Facilities	20,800		7,200		28,000	7,200	
	000467	AMP Improvements - Buildings	15,000		5,500		20,500	5,500	Budgets no longer required. This is a placeholder for redecoration of pensioner housing.
	000388	8 Caernarvon St Arrowtown	13,750		(13,750)		-	(13,750)	
	000389	45 McDougal St Wanaka	13,750		(13,750)		-	(13,750)	Sufficient R&M budget to cover any works required 16/17.
	000415	Reline interior of Red Shed at Glenorchy	5,000		(5,000)		-	(5,000)	Project no longer required.
	000442	Wanaka Airport - General Upgrades	63,500		(25,000)		38,500	(25,000)	Budget not required. Budget of \$25k for office relocation had inadvertently been included in two projects, Project 442, Wanaka Airport, General Upgrades and Project 441, Wanaka Airport, Office Relocation.
	000307	Arrowtown Athenaeum Hall Seismic Strengthening	379,568		42,000		421,568	42,000	Budget adjustment required to cover remedial works at Arrowtown Hall.
	000338	Wanaka Lakefront Reclamation	1,323,766			(621,266)	702,500	(621,266)	Defer budget to 17/18 to reflect project delivery programme and consultation process.
Buildings Total			1,875,634	-	-	(621,266)	1,254,368	(621,266)	
Camp Grounds	000150	Queenstown Campground - Minor Capex	10,000		(10,000)		-	(10,000)	Budget reallocated to complete underground cabling works at Wanaka Campground.
	000154	Wanaka Campground - Minor Capex	5,000		15,000		20,000	15,000	
	000156	Glendhu Bay Campground - Minor Capex	5,000		(5,000)		-	(5,000)	
Camp Grounds Total			20,000	-	-	-	20,000	-	
Parks and Reserves	000139	Minor Renewal Reserve Works - Wanaka	148,000		(4,000)		144,000	(4,000)	Proposed budget transfers to Project 515, Sports fields at the Wanaka Rec Centre to cover increased scope of works. It has been identified that an additional 50mm layer of imported topsoil is required (24,000cm3) to mitigate concerns around; higher water application, inability to use vertidrain effectively and droughty trenchlines.
	000262	Wanaka Show Grounds field development	200,000		(8,500)		191,500	(8,500)	
	000515	Sports fields at the Wanaka Rec Centre	260,000		12,500		272,500	12,500	
	000208	Earnslaw park - turf renovation/sandcarpet	15,986		(6,000)		9,986	(6,000)	Proposed budget transfer to Project 381, QEC main oval drainage upgrade to complete works. Project 427, new path Frankton roundabout/QEC no longer required. Project 208, Earnslaw Park turf renovation complete and under budget. Project 425, Marine Parade renovations, revised scope due to upgrades to pump station pipelines.
	000425	Queenstown Marine Parade renovation	25,000		(8,000)		17,000	(8,000)	
	000381	QEC main oval drainage upgrade	632,500		44,000		676,500	44,000	
	000427	New path- Frankton roundabout/QEC	30,000		(30,000)		-	(30,000)	
	000383	Tennis Fernhill Williams Street	62,700			(57,700)	5,000	(57,700)	Initial Engineer's report complete. Estimate to upgrade the tennis court \$130k subject to ground conditions. Proposed to defer this project to 18/19. Officers to undertake review of assets districtwide and prepare a programme of works for inclusion in LTP.
	000429	Parks & Reserves Roding Minor Imp Wakatipu	170,000			(100,000)	70,000	(100,000)	Defer \$100k budget to upgrade Ramshaw Lane car park 17/18. MWH quote to complete works of \$360k with an additional \$40k required to allow for minor car parking reconfiguration for new toilet build. Works planned to start in the spring.
Parks and Reserves Total			1,544,186	-	-	(157,700)	1,386,486	(157,700)	
Storm Water	000050	Bremner Park Stormwater Upgrade	120,000		(120,000)		-	(120,000)	Project 50 identified as stormwater now agreed with NZTA that this is roading drainage project which attracts NZTA subsidy (surplus income). Budget to be wholly transferred to Project 66, Drainage renewals Wanaka.
	000066	WANAKA - Drainage renewals	194,700		120,000		314,700	120,000	
Storm Water Total			314,700	-	-	-	314,700	-	
Solid Waste	New	Wakatipu Recycling Centre extension	-	120,000			120,000	120,000	Proposed budget to extend the vehicle turning area at the recycling centre. Due to insufficient turning space large trucks are required to enter the facility through the site "exit" which poses a significant hazard to members of the public exiting the centre. It is proposed to extend the site by developing 2 QLDC owned parcels of land at rear of facility. In addition this will also facilitate some much needed storage for recyclables waiting on transportation.

Programme	Project Code	Project Description	2016_17 Budget	New	Budget transfer	Defer	Budget Forecast	2016_17 versus Forecast	Comments
	New	Commercial 24/7 waste storage facilities in QT CBD - design and investigation	-	7,000			7,000	7,000	Proposed budget to progress with design and scoping of 24/7 waste storage facilities in CBD. A number of areas within the CBD have been designed without adequate space for service areas or waste collection. The provision of 24/7 access to commercial waste facilities would provide for amenity of service and also improve the aesthetics of the CBD.
Solid Waste Total			-	127,000	-	-	127,000	127,000	
Transport	000053	WAKATIPU - Sealed rd resurfacing	872,600		(202,600)		670,000	(202,600)	Proposed budget adjustment to reflect actual programme. Transfer of \$182k to Wanaka Resurfacing and a \$20k transfer to Wakatipu Traffic. NZTA budget available to match as NZTA fund QLDC as district not wards.
	000054	WANAKA - Sealed rd resurfacing	647,400		182,600		830,000	182,600	Proposed budget adjustment to reflect actual programme. Transfer of \$182k from Wakatipu. NZTA budget available to match as NZTA fund QLDC as district not wards.
	000065	WAKATIPU - Traffic services renewals	48,500		30,000		78,500	30,000	Proposed budget increase to reflect programme of works. NZTA budget available to match.
	000070	WANAKA - Traffic services renewals	34,000		40,000		74,000	40,000	Proposed budget increase to reflect programme of works. NZTA budget available to match.
	000078	Beacon Point Road - Upgrade	270,000		(60,000)		210,000	(60,000)	Project complete and under budget.
	000284	Andrews Road Safety Improvements	300,000		175,000		475,000	175,000	Budget increase required to complete works. Forecast budget total includes design, internal time and contingency. Officers in discussion with NZTA re funding options. This project exceeds the NZTA Minor Improvement funding limit. A business case is required for NZTA to support the additional funding. Should the business case not be accepted by NZTA, QLDC will be required to fund the increase (\$175k).
	000305	CROWN RANGE RD Sealed Rd Pavement Rehab	252,000		(232,000)		20,000	(232,000)	Works no longer required. Engineers report recommends full reseal only, this work is currently underway. Low benefit / cost rating would not be financially supported by NZTA.
Transport Total			2,424,500	-	(67,000)	-	2,357,500	(67,000)	
Waste Water	000025	Wastewater - Renewals - Wanaka	75,900		8,000		83,900	8,000	Budget increase required to cover sewer renewal at Kowhai Terrace.
	000034	Marine Parade WWPS Optimisation	180,000		25,000		205,000	25,000	Budget increase required to cover project shortfall - Stage 1 of the upgrades to pump station pipelines.
	000464	Project Shotover Stg2 - Disposal Field	1,000,000			(470,000)	530,000	(470,000)	Budget to be deferred to 17/18 to reflect project delivery programme.
	000478	Wastewater - O&M Renewals - Lake Hayes	25,000		18,000		43,000	18,000	Budget increase required to cover costs associated with pump failure at P54. Officers in discussions with pump supplier re reimbursement of costs.
	000480	Wastewater - O&M Renewals - Arthurs Pt	70,000		27,000		97,000	27,000	Budget increase required to cover costs associated with third party damage (car crashed into pump station). Costs recoverable from insurance.
	New	RESA Replacement of corroded concrete pipeline	-	50,000			50,000	50,000	Existing pipeline has been significantly corroded with sewer gas resulting in structural failure. Budget of \$50K requested 16/17 to progress with procurement. Budget of \$485k has been requested through AP internal submissions process to replace concrete pipeline with PE pipework in 17/18.
Waste Water Total			1,350,900	50,000	78,000	(470,000)	1,008,900	(342,000)	
Water Supply	000008	Water Supply - Renewals - Arrowtown	109,680		41,000		150,680	41,000	Budget increase to cover costs associated with building emergency chlorination over the summer period.
	000173	Hawea Water Upgrades - Intake to Scott's	14,219		12,000		26,219	12,000	Project complete as per Water Safety Plan action. Budget increase to cover additional commissioning costs.
	000279	Shotover Country WS - Bore	732,460			(295,000)	437,460	(295,000)	Actual costs to date relate to initial bore development and associated pipework. Balance deferred subject to further BBC and strategy development around options.
	000280	Shotover Country WS - Treatment	776,070			(700,000)	76,070	(700,000)	Actual costs to date relate to design activities associated with the initial bore development. Balance deferred subject to further BBC and strategy development around options.
	000348	Installation of UV treatment at Two Mile	495,500			(395,000)	100,500	(395,000)	Budget deferred subject to Queenstown Water Supply Strategy outcomes. Balance of budget required to undertake scoping and design as required.
	000459	Queenstown Hill #1 Reservoir Meter	30,000		27,000		57,000	27,000	An upgraded water meter is required in this area to understand water supply capacities around Queenstown Hill. Important to inform water safety plans, leakage management and pressure zone redesign.

Programme	Project Code	Project Description	2016_17 Budget	New	Budget transfer	Defer	Budget Forecast	2016_17 versus Forecast	Comments
	000473	Water Supply - O&M Renewals - Lake Hayes	40,000		36,000		76,000	36,000	Budget increase to cover costs associated with upgrades to duty/standby pumping regime. This cost is to be oncharged to the developer.
	000492	Water Supply - O&M Renewals - Hawea	10,000		51,000		61,000	51,000	Budget increase to cover costs associated with building emergency chlorination over the summer period.
	000361	Glenorchy Water Reservoir Upgrade - Design	13,500		50,000		63,500	50,000	Budget adjustment required to complete BBC and commence detailed design 16/17. Project budget of \$450,507 included within draft AP 17/18 to complete construction.
Water Supply Total			2,221,429	-	217,000	(1,390,000)	1,048,429	(1,173,000)	
Hawthorne Drive (EAR)									
Transport	000082	Eastern Access Road EAR- Hawthorne Drive	4,801,877			1,999,048	6,800,925	1,999,048	Hawthorne Drive project forecast for completion December 2017. 16/17 project budgets adjusted to reflect revised construction timings.
Transport	000519	Hawthorne Drive (EAR) - Other Services	-			169,977	169,977	169,977	
Stormwater	000318	Frankton Flats Stormwater - Construction	6,989,898			(3,801,381)	3,188,517	(3,801,381)	
Wastewater	000317	Frankton Flats Wastewater - Construction	667,575			(176,087)	491,488	(176,087)	
Water Supply	000319	Frankton Flats Water Supply - Construct	1,356,926			(976,620)	380,306	(976,620)	
Hawthorne Drive (EAR)			13,816,275	-	-	(2,785,063)	11,031,212	(2,785,063)	
Grand Total			23,567,625	177,000	228,000	(5,424,029)	18,548,596	(5,019,029)	