

**QLDC Council
14 June 2018**

Report for Agenda Item: 3

Department: Property & Infrastructure

2017/18 Capital Works Programme – Third Re-forecast

The purpose of this report is to consider proposed amendments to the 2017/18 capital works programme for all Queenstown Lakes District Council capital projects.

That Council:

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

Prepared by:

Reviewed and Authorised
by:



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30/05/2018



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30/05/2018

- 1 At the 23 June 2017 meeting of the Queenstown Lakes District Council, the Council resolved to adopt the 2017/18 Annual 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 years capital programme and to gain approval to these changes.
- 3 This report is the third capex forecast review for the 2017/18 financial year.
- 4 The summary document is contained within Attachment A of this report.
- 5 This report breaks the programme into seven asset categories: Property, Solid Waste, Transport, Storm Water, Waste Water, Water Supply and other.
- 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 **Bring 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.
- 10 **Defer:** Projects that will not be completed within the current financial year but will be completed in the 2018/19 financial year. Deferred budgets cannot be used to fund other projects in the current financial year.
- 11 Projects that are recommended to be deferred are being considered in conjunction with the draft 2018 LTP programmes for synergies.
- 12 Where it is shown that the deferred projects cannot be delivered without affecting the draft 2018 LTP programme, these projects will be stopped.
- 13 Stopped projects will then undergo a revised better business case and following the outcome of that process, programmed in a future LTP.
- 14 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.
- 15 Option 1 Approve the changes to the 2017/18 proposed capital works programme as proposed in Attachment A.

Advantages:

- 16 Provides an opportunity for the Council to consider the latest recommendation from officers in respect to projects planned for 2017/18 financial year
- 17 Provides the ability to manage the impacts of overspend against current budget and where possible the opportunity to take steps to keep capital expenditure within overall annual budgets.

Disadvantages:

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

Advantages:

- 20 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:

- 21 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.
- 22 The Council will not be able to respond in a timely way to changes its operating environment and investment will be less effective.
- 23 Projects which have commenced and where sufficient alternate budget is available will be deferred, increasing the costs of delivery.
- 24 Option 3 Approve only some of the changes to the 2017/18 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 being delivered in the 2017/18 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 adjust the timing of the projects consulted on and approved through the Long Term Planning (LTP) process.
- 28 This report recommends **Option 1** for addressing the matter.
- 29 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 and budget adjustments best reflect present day understanding of assumptions and project scope.
- 30 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.
- 31 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.
- 32 The financial implications are outlined in Attachment A.

33 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.

34 This matter is included in the 10-Year Plan/Annual Plan:

- The projects identified form part of the capital works projects for the 2017/18 financial year.

35 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.

36 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.

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

38 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.

Programme	Project Code	Project Description	Budget 2017-18	New Budget	Budget Transfer	Budget B/Fwd	Budget Deferred	Budget Forecast	2017-18 versus Forecast	Budget Comments
Property	000221	Civic Building (Gorge Road Office)	190,000		141,000			331,000	141,000	Additional budget required to progress with Council Office upgrades to meet increased staffing levels; includes construction and fit-out of Church St and Shotover St office extensions and improvements to Civic Building to maximise use of space and make safe the reception area.
	000530	Shotover Street Office Extension	407,645		72,000			479,645	72,000	
	000732	Church Street Office Extension	45,000		74,000			119,000	74,000	
	000731	Wanaka Office Improvements	20,000			200,000		220,000	200,000	Budget brought forward from draft LTP to progress with Wanaka Office improvements. The Reece Crescent office lease expires at end of October 2018 with no further right of renewals and initial searches for alternative suitable office space to rent have not proved successful. Budget requested to secure purchase of 2 x prefabricated buildings (option to install these at rear of the Ardmore St office) that will accommodate up to 30 staff. The cost to install and relocate staff from Reece Crescent to be offset by \$51k per annum opex lease costs. Minor renovations required at Ardmore Street to provide space for 16 staff (10 additional) and form a single consolidated customer reception area at Ardmore St office.
	000295	71 Ballarat St - Flats	10,000		- 10,000			- - 10,000	10,000	Budget no longer required. Replacement of carpet to be covered under OPEX as and when new tenancies commence.
	000388	8 Caernarvon St Arrowtown	15,804		- 15,804			- - 15,804	15,804	Budgets no longer required. This is a placeholder for redecoration of pensioner housing.
	000389	45 McDougal St Wanaka	15,005		- 15,005			- - 15,005	15,005	Budgets no longer required. This is a placeholder for redecoration of pensioner housing.
	000413	NZFS property settlement negotiation	50,000		- 50,000			- - 50,000	50,000	Project budget no longer required, propose reallocate to Council office improvements.
	000564	Wanaka Airport	50,000		- 22,000			28,000 - 22,000	22,000	Project budget no longer required, propose reallocate to Council office improvements.
	000736	Frankton Beach Jetty	102,000		87,000			189,000	87,000	Queenstown Bay Jetty project budget no longer required as private developer funded. Balance of budget reallocated to Project 736 Frankton Beach Jetty. Project scope has been extended to include provision for reserve and traffic improvements.
	000737	Queenstown Bay Jetty	92,000		- 87,000			5,000 - 87,000	87,000	
	000565	Wanaka Land Reserve	2,000,000				- 2,000,000	- - 2,000,000	2,000,000	Budget provision for reserve acquisition not required 17/18, defer to 18/19.
	000584	Ballantyne Road realignment	50,000		- 49,000			1,000 - 49,000	49,000	This budget is no longer required. Design and investigation works to realign road covered under AP budget for Wanaka Masterplan and Network Operating Framework.
	000622	Arrowtown Library	16,005		- 16,005			- - 16,005	16,005	Budget to recarpet main library not required, recent property inspection report did not identify any issues with existing carpet. Reallocate budget to Council office improvements.
Property Total			3,063,459	-	109,186	200,000	- 2,000,000	1,372,645 - 1,690,814	1,690,814	
Solid Waste	000454	Recycle centre plant upgrade	32,360		17,640			50,000	17,640	Additional budget required to complete BBC. Budget reallocated from Project 734.
	000734	Wakatipu Recycling Centre remedial construction	70,700		- 43,000			27,700 - 43,000	43,000	Works to undertake remedial construction and strengthening at centre now complete and under budget/engineers estimate.
Solid Waste Total			103,060	-	25,360	-	-	77,700 - 25,360	25,360	
Storm Water	000597	Minor Capital Improvements Storm Water	20,000		- 20,000			- - 20,000	20,000	Minor capital improvements provision not required.
	000603	Overland Flow Paths	30,000		- 30,000			- - 30,000	30,000	This is a legacy project, no longer required.
Storm Water Total			50,000	-	50,000	-	-	- - 50,000	50,000	

Programme	Project Code	Project Description	Budget 2017-18	New Budget	Budget Transfer	Budget B/Fwd	Budget Deferred	Budget Forecast	2017-18 versus Forecast	Budget Comments
Transport	000051	CROWN RANGE SPR - Drainage renewals	60,000		- 50,000			10,000	- 50,000	Budget to be reallocated as works no longer required.
	000065	WAKATIPU - Traffic services renewals	51,500		60,000			111,500	60,000	Additional budget required to address signage issues identified through annual night audit.
	000068	GLENORCHY SPR - Structures component replacements	86,000		- 35,000			51,000	- 35,000	Programme of works refined following recent bridge inspection report. Budget no longer required.
	000069	WANAKA - Structures component replacements	55,000		- 40,000			15,000	- 40,000	Programme of works refined following recent bridge inspection report. Budget no longer required.
	000071	Glenorchy SPR - Drainage Renewals	50,000		- 50,000			-	- 50,000	Budget to be reallocated as works no longer required
	000082	Eastern Access Road EAR- Hawthorne Drive	6,478,659		- 900,000			5,578,659	- 900,000	Revised project budget based on forecast final cost. Project practically complete with minor variations to be carried out. Reallocate budget.
	000284	Andrews Road Safety Improvements	433,227		71,773			505,000	71,773	Additional budget required to complete scope variations including; increased bank stabilisation, fencing to address safety concerns and sewer alignment works required due to onsite conditions.
	000577	Bike Parking Facilities in CBD	100,000		- 60,000			40,000	- 60,000	Project for design and install of storage facility at Church St complete and under budget.
	NEW1	Wakatipu Active Travel Network	-			50,000		50,000	50,000	Budget brought forward from draft LTP to start work on the Detailed Business Case (scope of works and budget 17/18 approved by NZTA).
Transport Total			7,314,386	-	- 1,003,227	50,000	-	6,361,159	- 953,227	
Wastewater	000025	Wastewater - Renewals - Wanaka	485,000		- 119,000			366,000	- 119,000	Project budget no longer required 17/18. Reallocate to project 372 Cardrona Wastewater renewals.
	000027	Wastewater - Renewals - Hawea	32,175		- 32,175			-	- 32,175	Project budget no longer required 17/18. Reallocate to project 372 Cardrona Wastewater renewals.
	000372	Wastewater - Renewals - Cardrona	20,000		215,000			235,000	215,000	Additional budget required following the purchase of the Treatment Plant 17/18 including cleaning works and transporting of sludge.
	000440	Wanaka Airport WWater cxn Project Pure	10,158		- 7,500			2,658	- 7,500	Budget no longer required following new lease agreement with QAC.
	000547	Minor Capital Improvements Waste Water	50,000		- 50,000			-	- 50,000	Minor capital improvements provision not required. Reallocate to project 372 Cardrona Wastewater renewals.
Wastewater Total			597,333	-	6,325	-	-	603,658	6,325	
Water Supply	000008	Water Supply - Renewals - Arrowtown	120,000		- 40,000			80,000	- 40,000	Balance of Project budget not required, reallocate.
	000009	Water Supply - Renewals - Glenorchy	30,214		- 29,334			880	- 29,334	Project budget not required, reallocate.
	000013	Water Supply - Renewals - Hawea	45,459		24,541			70,000	24,541	Additional budget required to complete works including the motor replacement at Hawea bores.
	000016	Wanaka Yacht Club Borefield Stage 1	9,688		- 8,000			1,688	- 8,000	Project complete, reallocate budget.
	000364	Water Supply Renewals - Reticulation	65,000		35,000			100,000	35,000	Additional budget required to complete further investigations and design works of Lake Hayes Arrowtown main.
	000491	Water Supply - O&M Renewals - Arthurs Pt	20,000		- 20,000			-	- 20,000	Project budget not required, reallocate.
	000579	Middleton Development	250,000		50,000			300,000	50,000	Additional budget required to meet costs associated with the upgrades to the reservoir. Works now complete and infrastructure vested in Council.
	000586	Minor capital improvements Water Supply	50,000		- 50,000			-	- 50,000	Minor capital improvements provision not required. Reallocate to project 579 Middleton Development.
	NEW2	HIF Ladies Mile Water Supply New Scheme	-		-	280,000		280,000	280,000	Budget brought forward from draft LTP to cover costs incurred 17/18 in relation to preparation of HIF Business Case.
	NEW3	SOC bores - Quail Rise rising Main	-		-	280,000		280,000	280,000	

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