

**QLDC Council
23 March 2018****Report for Agenda Item 9****Department: Property & Infrastructure****2017/18 Capital Works Programme – Second Re-forecast****Purpose**

- 1 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.

Recommendation

- 2 That Council:
 1. **Note** the contents of this report.
 2. **Approve** the budget changes proposed and detailed in Attachment A.

Prepared by:



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9 March 2018

Reviewed and Authorised by:



Mike Theelen
Chief Executive
9 March 2018

Background

- 3 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.

Comment

- 4 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.
- 5 This report is the second capex forecast review for the 2017/18 financial year.
- 6 The summary document is contained within Attachment A of this report.
- 7 This report breaks the programme into seven asset categories: Property, Solid Waste, Transport, Storm Water, Waste Water, Water Supply and other.

- 8 Contained within the asset group we have categorised projects as follows:

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.

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.

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.

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.

- 9 Projects that are recommended to be deferred are being considered in conjunction with the draft 2018 LTP programmes for synergies.
- 10 Where it is shown that the deferred projects cannot be delivered without affecting the draft 2018 LTP programme, these projects will be stopped.
- 11 Stopped projects will then undergo a revised better business case and following the outcome of that process, programmed in a future LTP.

Options

- 12 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:
- 13 Option 1 Approve the changes to the 2017/18 proposed capital works programme as proposed in Attachment A.

Advantages:

- 14 Provides an opportunity for the Council to consider the latest recommendation from officers in respect to projects planned for 2017/18 financial year.
- 15 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:

- 16 This would change or delay the delivery of the projects consulted on and approved through the Long Term Planning (LTP) process.

17 Option 2 Status Quo, Do not approve the changes (do nothing option)

Advantages:

- 18 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:

- 19 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.
- 20 The Council will not be able to respond in a timely way to changes its operating environment and investment will be less effective.
- 21 Projects which have commenced and where sufficient alternate budget is available will be deferred, increasing the costs of delivery.

22 Option 3 Approve only some of the changes to the 2017/18 proposed capital works programme as proposed in Attachment A.

Advantages:

- 23 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.
- 24 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:

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

- 26 This report recommends **Option 1** for addressing the matter.

Significance and Engagement

- 27 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.

Risk

- 28 This matter relates 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.

29 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

30 The financial implications are outlined in Attachment A.

Council Policies, Strategies and Bylaws

31 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, sewerage 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 does therefore not apply.

32 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.

Local Government Act 2002 Purpose Provisions

33 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.

34 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.

Consultation: Community Views and Preferences

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

36 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