

QLDC Council

31 August 2023

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

Department: Assurance, Finance & Risk

Title | Taitara : Budget Carry Forwards from 2022/23

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to adjust the capital budgets for the 2023/24 financial year as a result of requests for budget carry forwards from 2022/23 along with adjustments to bring forward some capital budgets to 2022/23 from 2023/24.

Executive Summary | Whakarāpopototaka Matua

Where approved funding within the 2022/23 Annual Plan budgets remains unspent but the project implementation spans multiple years, budget is often required to be carried forward to deliver the project. In some cases where actuals are greater than budgeted in the current year but budget exists in the following year, the budget is required to be brought forward. The total net changes proposed will be an increase of \$44.6M to the 2023/24 capital budgets to a revised position of \$246.2M.

The revised capital budget of \$246.2M will not be able to be delivered within 12 months. Last year 2022/23 represented the highest capital spend achieved at \$186M. It will therefore be necessary to undertake a further review of the revised 2023/24 programme to ensure that the programme is deliverable. This will involve some re-prioritisation of projects which will inform the first reforecast of 2023/24. This review will be undertaken in conjunction with the capital planning required for the 2024-34 Long Term Plan Process.

The capital budgets requested to be carried forward are largely where there are purchase order or contract commitments in place, which total \$130.1M per the attached report.

Reasons for the large value and number of carry forwards include:

- Dependencies with third parties including reliance on developer agreements such as Housing Infrastructure Fund (HIF) and Hanley's Farm/Coneburn projects and ability of those partners to participate within Council's planned timelines.
- Reliance on accessing third party funding through lengthy approval processes, with a number of major roading projects in various stages of Waka Kotahi NZTA approval, development of the Alliance delivery model and dependences with 3 Waters programme.
- Timing and agreement of land acquisitions and consents.
- Timing of approvals for new projects and budget adjustments throughout the year.

- Comprehensive processes of community and stakeholder engagement in more significant projects to agree design solutions resulting in delays to subsequent development and implementation project phases.
- Dependency on warmer season temperatures for roading reseal contracts to be completed.
- Lengthy procurement tender process and limited contractor availability in the market.
- Supply chain delays due to COVID-19.

For operational budgets, carry forwards totalling \$3.4M are presented in attachment B. Carry forwards for opex are only sought where budget is for a discreet operational project, programme or initiative already approved which has not been completed and where no available budget is provided in 2023/24.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Authorise** adjustments to the capital expenditure budgets in order to provide for carry forwards of \$50.8M to the 2023/24 financial year, offset with brought forwards of \$5.4M from the 2023/24 financial year; and
3. **Authorise** adjustments to the operational budgets in order to provide for carry forwards of \$3.4M to the 2023/24 financial year [Attachment B].

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11/08/2022

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11/08/2022

Context | Horopaki

1. In many instances, it is not possible to complete all capital projects within Annual Plan time frames and many project lifecycles span across multiple years. Where projects have not been completed by 30 June 2023, the budget manager must request that funding be carried forward from 2022/23 to complete a project.
2. There are a number of significant contracts progressing through the end of year process including Ka Hunui a Tahuna (Whakatipu Transport Programme Alliance) with construction continuing for the Queenstown Arterials, Street Upgrades and Lakeview precinct. Wānaka Lakefront Development Plan construction of Stage 2 is nearing completion along with commencement of design for stage 5. The three waters programme is also in the middle of a significant construction phase including Project Pure Waste Water Treatment Plant Upgrade, CBD to Frankton Wastewater Conveyance, Glenorchy Reservoir Upgrade and Kingston HIF 3 Waters Schemes. The Wānaka Road to Zero Minor Improvements Programme (part of the 3 year Waka Kotahi Subsidised Roding Programme) has also entered a construction phase with contracts to deliver.
3. 2022/23 is the second year of the 2021-31 Long Term Plan, which had a budget including carry forwards from 2021/22 of \$265.9M. After mid-year reforecasts and other adjustments approved by Council, the adjusted 2022/23 budget was \$234.8M. Actual spend is \$186.0M and budgets requested to be carried forward in this paper total \$50.8M offset with budgets requested to be brought forward from 2023/24 of \$5.4M.
4. The total capital budget to carry forward of \$50.8M can be compared relatively to carry forwards for prior years which totalled \$42.8M from 2021/22, \$45.1M from 20/21, \$67.8M from 19/20 (including \$34.3M pre-approved) and \$47.1M from 18/19 (including \$19.2M pre-approved).
5. A summary of adjustments by programme is detailed below.

Buildings

6. Total carry forwards of \$11.4M. Significant carry forwards include \$3.4M for the Ladies Mile Community Centre (on hold pending outcome of new options being considered), \$2.1M for Paetara Aspiring Central / Mitre10 Youth & Community Centre (construction scheduled for completion September 2023), \$1.1M for Ballantyne Road Recreation Centre Waste Water Site preparation (procurement for site clearance works on hold pending outcome of 2024-34 Long Term Plan reprioritisation discussions) and \$1.5M for Lakeview Development Site Clearance works (Project due to be completed December 2023).

Waste Management

7. Total carry forwards of \$2.9M include \$1.4M for New Whakatipu Waste Facilities (site assessment works remain ongoing) and \$0.7M for Wānaka New Waste Facilities (procurement plan for request for proposal for design under review).

Transport

8. Total carry forwards of \$9.1M. Projects being delivered by the Kā Huanui a Tāhuna Whakatipu Transport Programme Alliance include carry forwards of \$1.4M for the Queenstown Street Upgrades CIP (Crown Infrastructure Partners) funded project and \$5.4M across Lakeview Development (with practical completion anticipated by December 2023). This is offset with a brought forward budget of \$4.0M for Queenstown Town Centre Arterials Stage One CIP funded project (construction works are continuing in all construction zones of the project, with a focus on underground services and retaining walls).
9. Other significant Waka Kotahi subsidised projects include \$1.9M for the Wānaka Road to Zero Minor Improvements Programme (contracts agreed and underway for Ballantyne, Golf & Riverbank roads, Capell Avenue and the Wānaka Corridor Safety Upgrade Package) and \$0.8M for Wānaka Sealed Road Pavement Rehabs (the budget was increased in the June reforecast for Cardrona Valley Road rehabs which has design in progress and construction planned for 2023/24).

Storm Water

10. Total carry forwards of \$3.2M includes \$1.5M for Lakeview Stormwater Upgrade (Schedule for practical completion December 2023) and \$1.4M for Kingston HIF Stormwater new scheme (detailed design is complete with timing of works dependent on the outcome of consultation with the Three Waters National Transition Unit).

Waste Water

11. Total net carry forwards of \$5.8M. Significant carry forwards include \$3.1M for CBD to Frankton Conveyance scheme (sewer relining works underway April 2023 with forecast completion date by December 2023) and \$1.6M for Project Pure upgrade (construction scheduled for completion September 2023).

Water Supply

12. Total carry forwards of \$7.1M. Significant carry forwards include \$2.0M for Glenorchy Reservoir Upgrade (construction schedule for completion by November 2023) and \$0.8M for Beacon Point New Reservoir (construction scheduled for completion by October 2023).

Parks & Reserves

13. Total carry forwards of \$3.9M. Significant carry forward include \$0.8M for Water Sports Facility & Parking Wānaka (deferred due to amendment of scope to prioritise bridge works and alignment with track), \$0.7M for Glenorchy Carpark & Marina Improvements (construction delayed due to design changes and seasonal impact) and \$0.8M for Wānaka Show Grounds field development (deferred to 2024/25 due to reprioritisation of funding to accommodate a brought forward budget for Wānaka Lakefront Development Plan Stage 5 in 2023/24 as per internal submissions).

Venues & Facilities

14. Total carry forward of \$1.7M. This includes \$0.8M for Frankton Golf Course Reconfiguration (contract for upgrade of club rooms, driving range and BP roundabout realignment costs offset partly with Waka Kotahi reimbursement expected) and \$0.3M for Building Management System (\$0.2M committed for stage 1 implementation with balance of building works to follow depending on outcome).

Knowledge Management

15. Total carry forward of \$0.5M. This includes \$0.3M for Enterprise System upgrades to the CiA cloud based enterprise system (projects have been pushed out as Council re-works the original timelines recommended by Technology One) and \$100k for Website Development (for completion of the community connect upgrade and development of an interactive A-Z guide for waste minimisation and introduction of online assistance).

Analysis and Advice | Tatāritaka me kā Tohutohu

16. The instructions given to budget managers regarding requests for carry forwards are as follows:

- a. The amount of carry forward is limited to the total amount of unspent capital budgets for the activity in question.
- b. Applications for carry forward must relate to the original approved project.
- c. Budgets comprising provisions (with no defined projects) will not be considered for carry forward.

17. Most of the final carry forwards reflect the situation where the project is committed and is underway but incomplete at 30 June 2023.

Options

18. Option 1 Authorise the Carry Forwards and adjust the 2023/24 and 2024/25 budgets.

Advantages:

1. Provides budget for previously approved projects in the year that the work is carried out.
2. Allows for continuation of projects that are underway

Disadvantages: None

19. Option 2 Do not authorise the Carry Forwards and do not adjust the 2023/24 and 2024/25 budgets.

20. This report recommends **Option 1** for addressing the matter because it provides budget for previously approved projects and allows projects that are started to continue.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

- 21. This matter is of low significance, as determined by reference to the Council’s Significance & Engagement Policy because all of these projects were subject to the Annual Plan process, which requires the Special Consultative Process, and as such no wider consultation is required.
- 22. The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes district community.

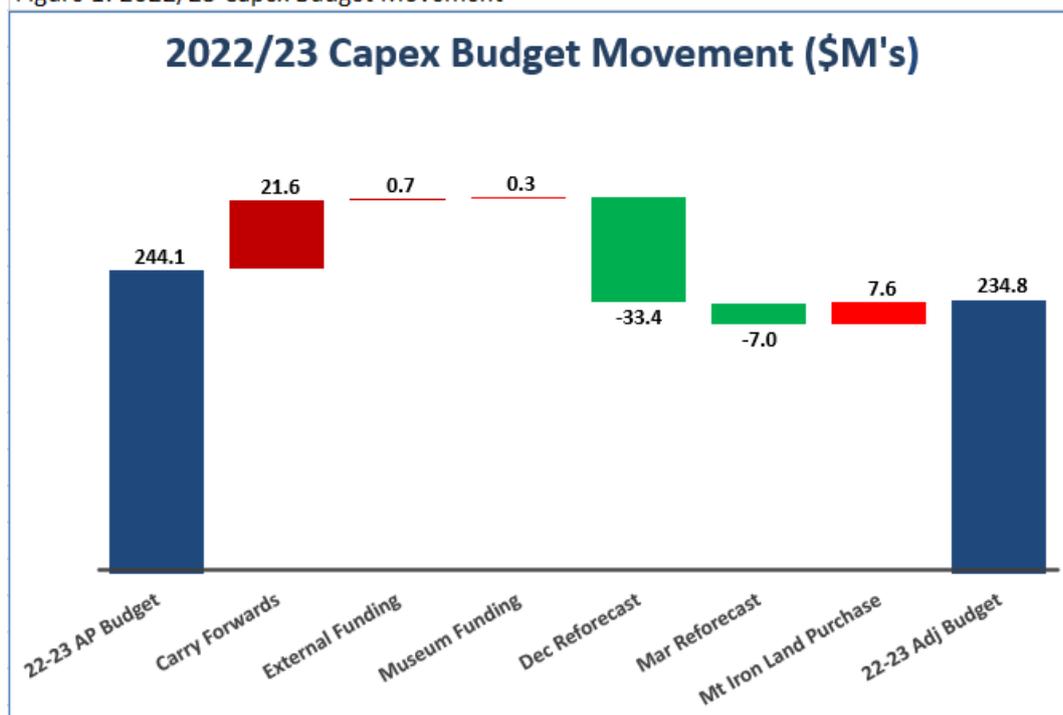
Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

- 23. This matter relates to the strategic 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 provides for the delivery of Council’s capital programme, which has been developed to meet the community’s needs.
- 24. Approval of the recommended option will support the Council by allowing the risk to be avoided.

Financial Implications | Kā Riteka ā-Pūtea

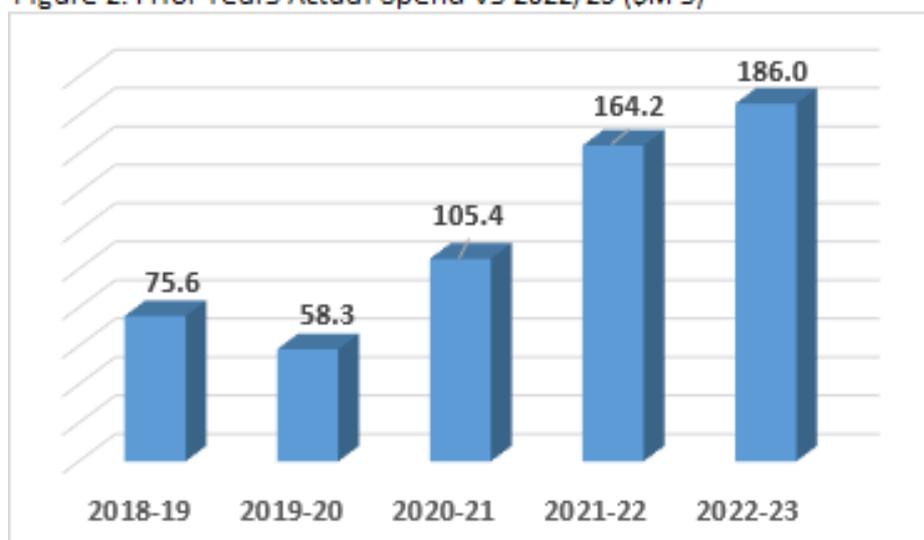
- 25. The approved capital budget for the 2022/23 Annual Plan totalled \$244.1M, this was further supplemented by \$21.6M of carried forward budget from the 2021/22 financial year. Adjustments to this budget have been agreed throughout the year as highlighted in the following ‘Figure 1’. The final adjusted budget for 2022/23 was \$234.8M.

Figure 1: 2022/23 Capex Budget Movement



26. The actual expenditure in 2022/23 was \$186.0M, which was 79% of the adjusted budget of \$234.8M as at 30 June 2023.
27. The total of capital carry forwards requests from 2022/23 to 2023/24 for approval now by Council is \$50.0M offset with brought forwards from 2023/24 to 2022/23 of \$5.4M along with a further \$0.8M carry forward request from 2022/23 to 2024/25. Refer to Attachment A.
28. The existing 2023/24 Annual Plan budget is \$200.7M which with these adjustments would bring the total to \$246.2M. The revised capital budget of \$246.2M will not be able to be delivered within 12 months. Last year 2022/23 represented the highest capital spend achieved at \$186M. It will therefore be necessary to undertake a further review of the revised 2023/24 programme to ensure that the programme is deliverable. This will involve some re-prioritisation of projects which will inform the first reforecast of 2023/24.
29. The first reforecast of 2023/24 capital budgets will be completed by November to re-baseline budgets across the Long Term Plan based on updated programmes, approval of external funding and reprioritisation given additional budget and supply chain constraints. The overall objective will to reduce the capital budgets for 2023/24 to reflect a more robust and affordable programme.
30. Approved financial commitments for previously agreed contracts and purchase orders for the projects requested for carry forward sits at circa \$130.1M as at the end of July 2022. Spend in 2022/23 vs prior years is shown in the following graph.

Figure 2: Prior Years Actual Spend Vs 2022/23 (\$M's)



31. The total operational carry forward requests recommended by senior executives is \$3.4M. It should be noted that carry forward requests for opex are only sought where the budget is for a discreet operational project, programme or initiative already approved which has not been completed and where no available budget is provided in 2022/23. These includes \$2.0M for Better Off Funding (\$2.0M added to consultants expenses offset with \$2.0M for Grants Revenue), \$1.6M for weather tightness legal expenses (due to likely commitments from existing claims) and \$1.3M for District Plan Commissioner costs (due to timing of hearings). A detailed breakdown is shown in Attachment B.

32. The financial impact on approved budgets for 2023/24 is neutral because the approved funding from 2023/24 is also brought forward. The funding will be a mix of loans, transfers from reserves (depreciation, development contributions and land sales), Waka Kotahi NZTA subsidy, Crown Infrastructure Partner funding and rates.

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

33. The following Council policies, strategies and bylaws were considered:

- Significance & Engagement Policy – 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.
- Long Term Plan 2018-28 and 2021-31
- Annual Plan 2022/23 and 2023/24

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

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

35. 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 recommendation in this report is appropriate and within the ambit of Section 10 of the Act it would provide for good-quality local infrastructure, local public services, and performance of regulatory functions in a cost-effective way for households and businesses by providing budget for the completion of the 2022-23 Capital Programme.

36. The recommended option:

- 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 | Kā Tāpirihaka

A	Capital Carry Forwards from 2022/23 to 2023/24
B	Operational Carry Forwards from 2022/23 to 2023/24