

QLDC Council
12 December 2019

Report for Agenda Item | Rīpoata mot e Rāraki take: 10

Department: Property & Infrastructure

Title | Taitara 2019:20 Capital Works Programme – First Re-forecast

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO


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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28/11/2019

Reviewed and Authorised by:



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28/11/2019

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 first capex forecast review for the 2019:20 financial year and includes a review of the Three Waters capex programme.
- 4 This report breaks the programme into nine asset categories: Buildings and Libraries, Information Management, Solid Waste, Venues and Facilities, Parks and Reserves, Transport, Three Waters (Non PMO), Lakeview and Three Waters PMO Programme.
- 5 The current 2019:20 Adjusted Budget is \$212m which includes \$47m of carry forwards from 2018:19. A reduction of \$75m is recommended in this report largely due to timing of delivery across the programmes.

Buildings & Libraries

- 6 Decrease in 2019:20 budget of \$24.5m predominantly due to timing of spend for Project Connect and Civic Heart. Deferrals include \$1.6m for Civic Heart and \$21.8m for Project Connect. These projects are being progressed through the Project Manawa development master planning in conjunction with Ngāi Tahu. There is a reallocation of \$0.85m to the 516 Ladies Mile Development from Wakatipu Library Service and District Mobile Facility to cover initial community building renovations, car parking/access, designations and interim works to the depot. The Luggate Hall permanent replacement project has \$1.5m deferred to 2020:21 for construction (dependent on third party funding confirmation of \$1.78m).

Information Management

- 7 Increase in 2019:20 budget of \$225k due to \$250k required for on premise ICT infrastructure (replacement of end of life storage/servers) and \$50k required for technology for Council Chambers. This is offset with a reduction of \$75k to be transferred from GIS project 000151. The balance of \$225k is to be funded through the Gas Capture Facility project 000745 surplus.

Solid Waste

- 8 Decrease in 2019:20 budget of \$1.9m relating to the Gas Capture Facility project which is no longer required as the works are being undertaken by Scope Resources and costs will be covered through Opex / gate fees. Surplus of \$1.9m to be part reallocated to other Capex projects.

Venues & Facilities

- 9 Increase in 2019:20 budget of \$157k which was a budget brought forward from 2020:21 for Alpine Aqualand Renewals. \$240k was reallocated from Alpine Aqualand Renewals and \$2.4m from the Artificial Turf Programme to cover the cost escalation of \$2.64m for the QEC Roof and Ventilation Improvements project. The revised budget was approved by Council on 10 October 2019.

Parks & Reserves

- 10 Increase in 2019:20 budget of \$44k. A new project Frankton Campground with budget of \$858k is required to develop the site in line with the responsible camping strategy to return the campground to short-term recreation accommodation only. This includes playground and landscaping design, asbestos surveys/removal, site clearance, tree removal, as well as construction/upgrade works to existing kitchen and ablution facilities. There is the intention that part or all be repaid for by the new incoming lessee at the camp. This is offset with deferrals of \$750k for Queenstown Gardens (due to consenting issues) and \$130k for Arrowtown Skate Park (cost escalation to be considered through the 2021:31 LTP process).

Transport

- 11 Decrease in 2019:20 budget of \$26m due to a number of deferrals including \$0.5m for Queenstown Parking Improvements, \$1.5m for Travel Management, \$4.9m for Queenstown Town Centre Arterials, \$7.1m for Wakatipu Active Travel, \$5.2m for Queenstown Public Transport hub in CBD and \$2.1m for Queenstown Town Centre Pedestrianisation. Delays are predominantly due to the dependency on NZTA approved business cases to obtain funding to proceed and the decisions around parking buildings.
- 12 To note that Wakatipu Active Travel is largely being funded directly by NZTA for the 2018:21 NLTP period with \$12.9m being funded directly by NZTA vs \$0.25m QLDC and \$0.5m third party. 2018:21 Programme components include Shotover Bridge to SH6, SH6 to Frankton Track, Jacks Point to Frankton and Lake Hayes Estate to Frankton.
- 13 In Wanaka \$1.7m has been deferred for the Wanaka Town Centre Masterplan. The single stage business case for network optimisation is due to be completed over the course of 2019:20 and 2020:21. Ballantyne Road has \$3.5m deferred for construction planned 2020:21 which now has NZTA approved funding at 51%.

3 Waters (Non Project Management Office projects)

- 14 Decrease of \$3.2m due to Hanley's Farm New Reservoir (Coneburn) and Hanley's Farm Pump Station & Rising/Falling mains (Coneburn) budgets being deferred to 2021/22. These are outside of the PMO programme as will likely be delivered by developers.

Lakeview Development

- 15 Decrease of \$7.9m due to deferrals of planned works now forecast in 2020:21 and 2021:22 along with Lakeview 3 Waters PMO reforecast budgets reduced by \$1.3m.

3 Waters PMO Programme

- 16 Decrease of \$10.8m (excluding Lakeview 3 Waters PMO projects). In July 2018, the Property and Infrastructure Group engaged ArcBlue to assist in the development of its strategic procurement plan for delivering Council's 3 Waters Capex programme. As part of that work a Project Management Office (PMO) was created to deliver the 3 Waters projects. Projects were bundled into packages of work to encourage interest from the market and two panels were formed to deliver the programme (3 Waters Design and 3 Waters Contract Works). This approach has been widely supported by the industry.
- 17 In November 2018, the programme was re-baselined to reflect the new programme delivery approach. There are a number of variations to the programme since then, including:
- a. Delays in work on Shotover Water treatment upgrades
 - b. Delayed spend on Frankton Flats Stormwater, Lakeview infrastructure and Kingston HIF
 - c. Postponed investment in 3 Waters infrastructure associated with Ladies Mile and Kelvin Heights due to a delay in private development
 - d. Costs associated with land purchase in Wanaka for a future reservoir
 - e. Project Pure wastewater treatment plant increase due to improved scope definition for capacity upgrade requirements and resilience along with improved understanding of risk profile and market cost escalation.
 - f. Wanaka Water Trunk main stage 2 scope change as a result of the Wanaka Water Masterplan revisit.
 - g. Note, programme contingency was originally incorporated into project budgets but is now shown as a separate line item to enable improved governance.
- 18 In September 2019 the PMO engaged WT Partnership (Quantity Surveyors) to undertake a review of the 3 Waters programme to provide estimated 'costs to complete' for each project. This identified a number of variations in the total cost of delivering projects compared to LTP budgets.
- Initial estimates of project costs for the LTP were based on high-level design only and therefore accurate to only +/- 30%. The more recent 'costs to complete' estimates are based on more developed designs and although the accuracy varies per project, overall the WT Partnership estimates are accurate to approximately +/- 10%.
- 19 Overall programme spend is slightly behind the 2018 re-baselined programme, however it is expected to be consistent with forecast by the end of the 19/20 financial year.
- 20 The release of tenders to panel members has been broadly consistent with the programme. Five design bundles have been awarded to Design Panel members, one construction contract and two Early Contractor Engagement (ECI) bundles have been awarded to the Contracts Work Panel.
- 21 It is anticipated that some significant construction projects will continue into the 2021-2022 financial year and the additional cost of delivering the programme is broadly realised in the 2021-2022 financial year.

- 22 The summary document for the reforecast is contained within Attachment A of this report. The appendix which shows the comparison of 2018-28 adjusted LTP Budgets vs WT Partnership Estimates (in 2019:20 \$'s) is contained within Attachment B of this report. The change to 2019:20 is a reduction in budget spend required of \$12.1m.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 23 Contained within the asset group we have categorised projects as follows:
- 24 **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.
 - 25 **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.
 - 26 **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.
 - 27 **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.
 - 28 **Surplus:** Projects have been completed and have surplus funds available for reallocation to other projects.
 - 29 **3 Waters POM Programme:** Projects within the 3 Waters Project Management Office have been grouped together and reforecast based on the latest QS information. The changes are best explained in Attachment B on a project total basis rather than the impact to just 2019:20.
- 30 Projects that are recommended to be deferred are being considered in conjunction with the 2020:21 LTP programmes for synergies.
- 31 Where it is shown that the deferred projects cannot be delivered without affecting the 2020:21 LTP programme, these projects will be stopped.
- 32 Stopped projects will then undergo a revised better business case and following the outcome of that process, programmed in a future LTP.
- 33 Option 1 Approve the changes to the 2019:20 proposed capital works programme as proposed in Attachment A.

Advantages:

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

35 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:

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

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

Advantages:

38 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:

39 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.

40 The Council will not be able to respond in a timely way to changes its operating environment and investment will be less effective.

41 Projects which have commenced and where sufficient alternate budget is available will be deferred, increasing the costs of delivery.

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

Advantages:

43 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.

44 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:

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

46 This report recommends **Option 1** for addressing the matter.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 47 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.
- 48 The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes district community.
- 49 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

- 50 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.
- 51 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

- 52 The financial implications are outlined in Attachment A which shows a \$75m reduction against the current 2019:20 adjusted budget of \$210m.
- 53 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

- 54 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.
- 55 The recommended option is consistent with the principles set out in the named policy/policies.
- 56 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

57 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 REFORECAST
- B COMPARISON OF 3 WATERS 2018-28 ADJUSTED LTP BUDGETS vs WTP ESTIMATES (in 2019:20 \$'s)