

QLDC Council

19 September 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [3]

Department: Assurance, Finance & Risk

Title | Taitara : Budget Carry Forwards from 2023/24

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to adjust the capital and operational budgets in the 2024/25 and 2025/26 financial years as a result of requests for unspent budget carry forwards from 2023/24 along with other adjustments to bring forward certain capital budgets from the 2024-34 Long Term Plan (LTP), where spending has occurred in advance of budgeted timeframes in 2023/24.

Executive Summary | Whakarāpopototaka Matua

- Where approved funding within the 2023/24 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 other cases where actuals are greater than budgeted in the current year but budget exists in future years, additional budget is required to be brought forward.
- The total net changes proposed will be an increase of \$23.5M (million) to the 2024/25 capital budgets to a revised position of \$170.2M along with \$0.4M added to the 2025/26 capital budgets to a revised position of \$163.2M and a reduction of \$2.5M to the 2026/27 capital budgets to a revised position of \$200.4M.
- The capital budgets requested to be carried forward are largely where there are payment commitments in place, which total \$94.6M per the attached report (including purchase order commitments of \$11.7M and contract commitments of \$82.8M).
- Reasons for the need to request budget carry forwards include:
 - Dependencies with third parties including reliance on developer agreements and ability of those partners to participate within Council's planned timelines.
 - Reliance on accessing third party funding through lengthy approval processes.
 - 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.
 - Dealing with higher than anticipated cost inflation and the need to reprioritise funding.
 - Responding to weather related events and impact to programmed works.

- 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.
- For operational budgets, net carry forwards totalling \$0.7M 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 & where no available budget is provided in 2024/25.

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:
 - a. carry forwards of \$26.9M to the 2024/25 financial year, offset with brought forwards of \$3.5M from the 2024/25 financial year;
 - b. carry forwards of \$1.3M to the 2025/26 financial year, offset with brought forwards of \$0.8M from the 2025/26 financial year; and
 - c. brought forwards of \$2.5M from the 2026/27 financial year [Attachment A].
3. **Authorise** adjustments to the operational budgets in order to provide for carry forwards of \$0.7M to the 2024/25 financial year [Attachment B].

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29/08/2024

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29/08/2024

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 2024, the budget manager must request that funding be carried forward from 2023/24 to complete a project.
2. There are a number of significant contracts progressing through the end of year process including Kā Huanui a Tāhuna (Whakatipu Transport Programme Alliance) with construction continuing for the Queenstown Arterial Stage One and Lakeview Development/Queenstown Street Upgrades having recently reached practical completion. Parks & Reserves key projects Wānaka Lakefront Development Plan Stage 5 and Glenorchy Carpark & Marina Improvements are due to commence construction early in the 2024/25 year and the Coronet Forest Revegetation is underway following procurement of the planting contractor in March.
3. 2023/24 is the third year of the 2021-31 Long Term Plan, which had a budget including carry forwards from 2022/23 of \$245.4M. After mid-year reforecasts and other adjustments approved by council, the adjusted 2023/24 budget was \$203.5M.
4. Actual spend was \$178.4M (88%) and budgets requested to be carried forward in this paper total \$28.2M offset with budgets requested to be brought forward from 2023/24 of \$6.7M. The total net adjustment is \$21.4M which is split \$23.5M added to 2024/25 and \$0.4M added to 2025/26 with a \$2.5M reduction to 2026/27.
5. The total capital budget to carry forward of \$28.2M this year compares favourably to prior years which totalled \$50.8M in 2022/23, \$42.8M in 2021/22, \$45.1M in 20/21, and \$67.8M and from 19/20 (including \$34.3M pre-approved).
6. Summary of adjustments by programme are detailed below.

Buildings, Libraries & Venues

7. Total carry forwards of \$2.3M. Relatively minor carry forwards include \$0.6M for Lakeview Development (close out of infrastructure works and completion of site clearance on lot 9), \$0.4M for Sunshine Bay, Bobs Cove and Kingston Jetty Improvements, \$0.3M for Paetara Aspiring Central Youth Community Centre (for installation of basketball hoops scheduled for September); and \$0.3M for Luggate Hall replacement (for the final claim on stormwater defects, redesign to resolve a ponding issue and alternative HVAC improvements required).

Parks & Reserves

8. Total carry forwards of \$5.3M. Significant carry forwards include \$1.9M for Wānaka Lakefront Development Plan Stage 5 (contract for construction agreed in June for physical works to commence in July 2024), \$1.1M for Glenorchy Carpark & Marina Improvements (contract for construction since agreed July for physical works to commence in August 2024) and \$1.8M for Coronet Forest Revegetation (the planting contractor was awarded in March 2024, with works expected to be ongoing until 2032).

Waste Management

9. Total carry forwards of \$1.1M include \$0.6M for Existing Waste Site Consenting (awaiting Tucker Beach resource consent application approval along with RFP to go out for Victoria Flats landfill) New Wakatipu Waste Facilities (site assessment works remain ongoing) and \$0.3M for Wānaka New Waste Facilities (concept design is due to complete July/August 2024 pending outcome of the geo-tech investigation).

Transport

10. Total carry forwards of \$12.3M. Projects being delivered by the Ka Huanui a Tahuna Whakatipu Transport Programme Alliance CIP (Crown Infrastructure Partners) partly funded projects include carry forwards of \$8.1M for the Queenstown Town Centre Arterial Stage One (construction works are ongoing and due to be completed in 2024/25) and \$2.4M for the Queenstown Street Upgrades (practical completion has been reached, with final variations and close out costs still to be confirmed). Arthurs Point to CBD Active Travel has been completed on time and under budget. The project was fully funded by Government through the Transport Choices fund and \$0.7M is required to cover final contingency and close out costs.

Storm Water

11. Total carry forwards of \$0.4M includes \$0.3M for the for the Rockabilly Gully Stormwater Erosion technical options report underway. This is offset with a brought forward budget of \$0.2M for Kingston HIF New Storm Water Scheme.

Waste Water

12. Total carry forwards of \$1.5M includes \$0.8M for Project Pure Aeration Grid Renewal (construction contract awarded in June). This is offset with brought forward budgets totalling \$6.3M which includes \$4.6m for Project Shotover Plant Upgrade (timing difference due to the concrete structure works being accelerated compared to original programme) and \$0.8M for Kingston HIF New Waste Water Scheme (detailed design now underway following project previously being on hold pending developer agreement).

Water Supply

13. Total carry forwards of \$5.2M includes \$2.9M for Compliance Response - UV Treatment (works scheduled for completion 2024/25), \$1.0M for Demand Management Hāwea (contract for meter installation works to commence by Sept 2024) and \$0.4M for Western Wānaka Level of Service (stage 3 extensions to Alpha Series pipeline planned to commence July 2024). This is offset with a brought forward budget of \$0.2M for Kingston HIF New Water Supply Scheme (project was on hold but recommenced earlier due to close out of developer agreement and construction contract award anticipated July 2024).

Analysis and Advice | Tatāritaka me kā Tohutohu

14. The instructions given to budget managers regarding requests for carry forwards are as follows:
- The amount of carry forward is limited to the total amount of unspent capital budgets for the activity in question.
 - Applications for carry forward must relate to the original approved project.
 - Budgets comprising provisions (with no defined projects) will not be considered for carry forward.
15. Most of the final carry forwards reflect the situation where the project is committed and is underway but incomplete at 30 June 2024.
16. 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.
17. Option 1 Authorise the carry forwards/brought forward budgets and adjust the 2024/25, 2025/26 and 2026/27 budgets.

Advantages:

- Provides adjusted budgets for previously approved projects to match the revised timing of when the work is carried out.
- Allows for completion of projects that are underway

Disadvantages:

- Requires additional staff time to load adjusted budgets

18. Option 2 Do not authorise the Carry Forwards and do not adjust the 2024/25, 2025/26 and 2026/27 budgets.

Advantages:

- Does not require additional staff time to load adjusted budgets

Disadvantages:

- Projects that are underway will not be able to be completed and funding previously allocated will be forfeited

19. 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

- 20. This matter is of low significance, as determined by reference to the Council’s Significance and 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.
- 21. The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes district community.

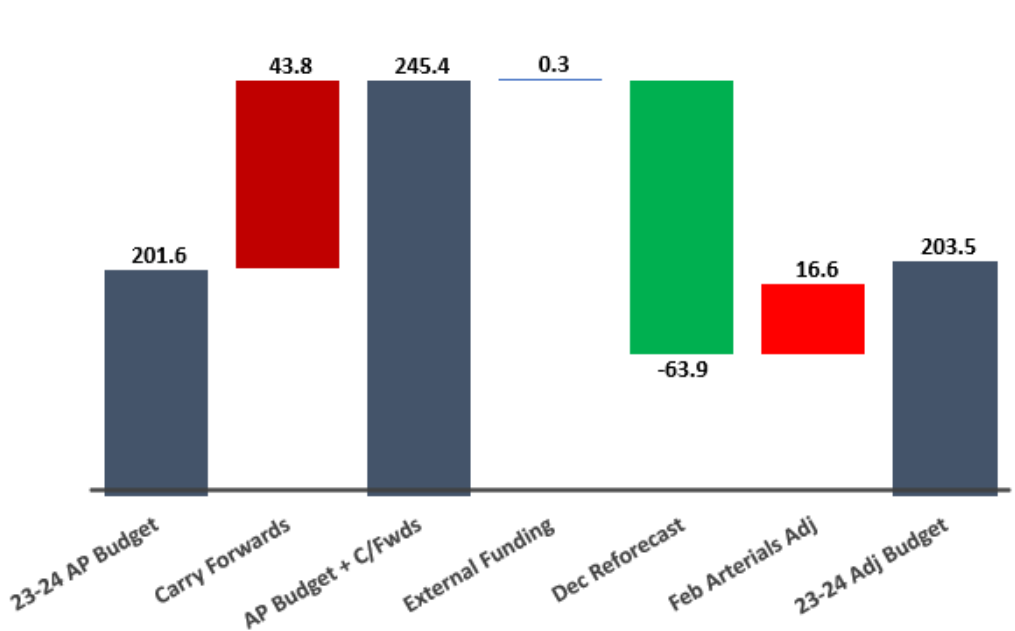
Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

- 22. This matter relates to the business continuity risk category. It is associated with RISK 10035 ‘Ineffective business processes’ within the Council’s risk register. This risk has been assessed as having a high residual risk rating. Approval of the recommended option will allow the Council to avoid the risk because it will provide for delivery of Council’s capital programme, which has been developed to meet the community’s needs.

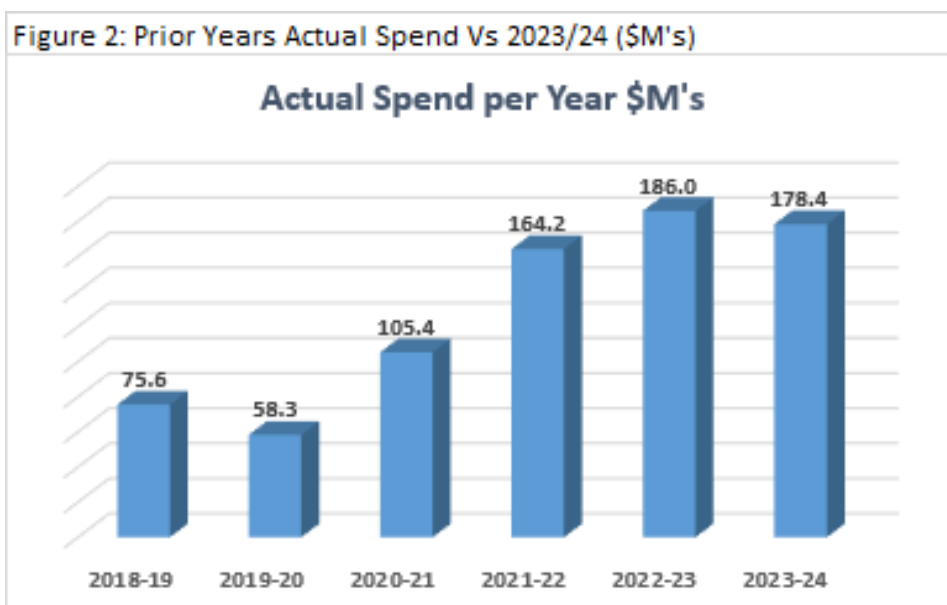
Financial Implications | Kā Riteka ā-Pūtea

- 23. The approved capital budget for the 2023/24 Annual Plan totalled \$201.6M. This was further supplemented by \$43.8M of carried forward budget from the 2022/23 financial year. Adjustments to this budget have been agreed throughout the year as highlighted in the following ‘Figure 1’. The final adjusted budget for 2023/24 was \$203.5M.

Figure 1: 2023/24 Capex Budget Movement



- 24. The actual expenditure in 2023/24 was \$178.4M, which was 88% of the adjusted budget of \$203.5M as at 30 June 2024.
- 25. The total of capital carry forwards requests from 2023/24 to 2024/25 and 2025/26 for approval now by council is \$28.1M offset with brought forwards from 2024/25, 2025/26 and 2026/27 to 2023/24 of \$6.7M. Refer to Attachment A for the detailed breakdown.
- 26. The existing 2024/25 annual plan budget is \$146.7M which with these net adjustments would bring the total to \$170.2 M. The existing 2025/26 annual plan budget is \$162.8M which with these adjustments would bring the total to \$163.2M. The existing 2026/27 annual plan budget is \$202.8M which with these adjustments would bring the total to \$200.4M.
- 27. Approved financial commitments for previously agreed contracts and purchase orders for the projects requested for carry forward sits at circa \$94.6M as at the end of July 2024. Spend in 2023/24 vs prior years is shown in the following graph.



- 28. The total operational carry forward requests recommended by senior executives is \$0.6M. 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 2024/25. These includes \$1.8M for Better Off Funding (\$1.8M added to consultants expenses offset with \$1.8M for Grants Revenue), \$0.1M for the Council Administration Building location assessment and land strategy, \$0.1M for the Destination Management Plan, \$0.2M for the Optimal Visitation Project and \$0.2M for the Spatial plan contract including public consultation.
- 29. The financial impact on approved budgets for 2024/25, 2025/26 and 2026/27 is largely neutral as the approved funding from 2024/25 is also carried 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

30. 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.
- Long Term Plans 2021-31 and 2024-34
- Annual Plan 2023/24 and 2024/25

31. 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

32. 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.

33. 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 2023/24 to 2024/25
B	Operational Carry Forwards from 2023/24 to 2024/25