

**Audit, Finance & Risk Committee
4 October 2016**

Report for Agenda Item 1

Department: Finance & Regulatory

Capital Work In Progress 2017

Purpose

- 1 To provide the Committee with a breakdown of proposed Capital Work In Progress (Capital WIP) as at 30 June 2017.

Recommendation

That the Audit, Finance & Risk Committee:

1. **Note** the Report

Prepared by:



Chief Financial Officer

21/09/2017

Reviewed and Authorised by:



Chief Executive Officer

22/09/2017

Background

- 2 Reports on Capital WIP have previously been provided to the Committee in October 2014, 2015 and 2016.
- 3 As part of the Annual Report 2015 process, we reviewed our business processes related to Capital WIP. In general, the processes we have adopted for capitalisation in Tech One are much more structured and require the Finance and Infrastructure teams to jointly decide how certain expenditures are classified.
- 4 A comprehensive review of all Capital WIP items has been undertaken as part of the 2017 year end process.

Capital WIP 2017

- 5 The total value of proposed Capital WIP for 30 June 2017 is \$38.92m (2016: \$53.04m). This is \$14.12m less than the previous year.
- 6 The attached schedule "Summary of Capital WIP as at 30 June 2017" shows a breakdown of the movement for Capital WIP including both the opening and closing balances.
- 7 The main items within each asset category are also listed in the commentary section below the table. These are all large capital projects which span several accounting periods.
- 8 The Wanaka Recreation Centre (Wanaka Sports Facility) and Project Shotover were both capitalised during 2016/17; the Frankton Flats Eastern Access Road and the Wanaka Aquatic Centre are both programmed for significant progress during 2017/18, with the former due for completion in December 2017 and the later in May 2018.
- 9 There has been a significant reduction in the reclassification of capex to opex for 2017. Last year there was \$2.49m of project expenditure that was classified as capital expenditure within the budget but which was charged as an operating expense for the year. For 2017, this figure has reduced to \$0.82m.
- 10 This reduction continues a significant positive trend and reflects improved classification of expenditure for budgeted works and also an improved capitalisation process.
- 11 As part of our process improvement in this area, we will continue to actively monitor the Capital WIP accounts during the year. This will involve progressive capitalisations as projects are completed.

Significance and Engagement

- 12 This matter is of Low significance, as determined by reference to the Council's Significance and Engagement Policy because the Capital WIP process forms part of the Annual Report process which is largely a reporting back mechanism.

Financial Implications

- 13 The total value of proposed Capital WIP for 30 June 2017 is \$38.92m (2016: \$53.04m). This is \$14.12m less than the previous year.

Council Policies

- 14 The following Council policies, strategies and bylaws were considered:
- 10 Year Plan 2015-25, Annual Plan 2015/16, Annual Report 2016
- 15 The recommended option is consistent with the principles set out in the named policy/policies.

Local Government Act 2002 Purpose Provisions

- 16 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.

Consultation: Community Views and Preferences

- 17 The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community.
- 18 The report provides a basis for communication between the Committee and its professional advisors, and as such no wider consultation is required.

Attachments

- A Summary of Capital WIP as at 30 June 2017

Summary of CAPITAL WIP - as at 30 June 2017

OLD WIP Account Number	WIP Account Description	Opening Balance 30/6/16	Movement				Bal 30/6/17 Per Capital WIP 5305
			16/17 Additions	Capitalisations Per Project WIP 16/17	16/17 CAPEX Reclassified to OPEX	GL Bal 30/6/17	
10.000.100.5003	Land Work In Progress	0	300,429	-286,929	-13,500	-	0
10.000.100.5013	Buildings Work In Progress	12,900,233	7,538,152	-14,794,054	-105,993	-	5,538,338
10.000.100.5023	Library Collections WIP	0	253,910	-253,910	0	-	0
10.000.100.5033	Plant & Equipment WIP	8,899	333,203	-316,694	-25,408	-	0
10.000.100.5073	Furniture & Fittings WIP	0	0	0	0	-	0
10.000.100.5083	Office Equipment WIP	0	0	0	0	-	0
10.000.100.5093	Computer Hardware WIP	18,644	149,512	-166,437	-1,718	-	0
10.000.100.5103	WIP Water Supply	4,332,897	4,525,854	-4,720,398	-14,187	-	4,124,167
10.000.100.5113	WIP Waste Water	26,950,945	9,267,069	-30,198,413	-26,360	-	5,993,241
10.000.100.5123	WIP Storm Water	874,741	4,484,897	-81,396	-39,628	-	5,238,614
10.000.100.5133	WIP Roading	6,952,755	16,131,499	-6,228,661	-142,926	-	16,712,668
10.000.100.5243	Other Improvements WIP	981,902	3,482,121	-3,476,115	-359,717	-	628,191
10.000.100.5253	Foreshore Structures WIP	16,781	682,479	-16,579	0	-	682,681
10.000.100.5572	Computer Software WIP	0	387,883	-372,331	-15,552	-	0
	Motor Vehicles WIP	0	195,584	-195,584	0	-	0
	#N/A	0	80,000	0	-80,000	-	0
10.000.100.5301	Asset Cap Clearing	0	0	0		-	0
10.000.100.5305	Capital WIP	0	0	0		38,917,900	0
(Included in 5305)	Capital Grant (No WIP)	0	0				
10.000.100.5603	Inv Prop - WIP	0	0	0	0	-	0
		\$ 53,037,798	\$ 47,812,592	\$ 61,107,502	\$ 824,988	\$ 38,917,900	\$ 38,917,900

Commentary

The year end 30/6/2017 WIP balance is \$38.9m which is a total decrease of \$14.1m.

The total assets capitalised during the year were \$11.9m

2016/17 capital expenditure was \$47.8m. This includes:

1. \$11.2m for Eastern Access Road including Frankton Flats 3 Waters (WIP bal \$6.8m)
2. \$5.4m for Project Shotover (Capitalised 30/6/17)
3. \$3.4m Wanaka Aquatic Centre (WIP bal \$4.8m)
4. \$3.1m for Wanaka Sports Facility (Capitalised 30/6/17)

Total CAPEX reclassified to OPEX in 16/17 totalled \$825k. This included:

1. \$139k for Minor Reserve Works (incl trees planted)
2. \$95k for Waste Minimisation Master Planning
3. \$80k for the Shotover Primary Capital Grant for their new hall/sports facility.
4. \$65k for Street Trees

WIP Account Description	30/6/17 WIP Balance	16-17 Actual Expenditure	CAPEX Reclassified to OPEX 16/17
Buildings Work In Progress	5,538,338	7,538,152	105,993
Computer Hardware WIP	-	149,512	1,718
Foreshore Structures WIP	682,681	682,479	-
Land Work In Progress	-	300,429	13,500
Library Collections WIP	-	253,910	-
Other Improvements WIP	628,191	3,482,121	339,156
Plant & Equipment WIP	-	333,203	25,408
WIP Roading	16,712,668	16,131,499	142,926
WIP Storm Water	5,238,614	4,484,897	39,628
WIP Waste Water	5,993,241	9,267,069	26,360
WIP Water Supply	4,124,167	4,525,854	14,187
#N/A	-	80,000	80,000
Motor Vehicles WIP	-	195,584	-
Grand Total	38,917,900	47,424,709	788,875

Row Labels	Sum of 30/6/17 WIP Balance	Sum of 16-17 Actual Exp	Sum of CAPEX Reclassified to OPEX 16/17
Computer Software WIP	-	387,883	15,552
Grand Total	-	387,883	15,552

Other Improvements WIP	Composting Facility -WK	11,384	SOLID W	13/14 NCS WIP reclassified to OPEX
Other Improvements WIP	Frnkton Bus Stop Campe	9,177	SOLID W	13/14 NCS WIP reclassified to OPEX
		20,561		

Total WIP reclassified to OPEX \$	824,988
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