

12. CARRY FORWARDS FROM 2002/03

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The purpose of this report is to advise the Council of the carry forwards from 2002/03 and the method of accounting for them. Details of these carry forwards are included on the schedule which has been separately circulated to Councillors.

WHY THE NEED TO CARRY FORWARD PROJECTS

When the Annual Plan is adopted, there is an expectation that the work programmes and asset purchases will be completed by the end of the 12 month period. In reality there will, however, be a number of projects which will not be completed as planned.

The reasons for the non-completion of projects are many and varied. They may relate to retention monies being held back until work is satisfactorily completed, legal difficulties, weather conditions, delays caused by other service work or delays to the design process. An increasingly important reason is the need to consult with the community. A number of projects have been delayed pending the outcome of resource consent hearings and community consultation. These delays can extend a project time-frame out a further three months.

Fixed asset purchases can also be delayed. The reasons here may relate to supplier delays, purchase negotiations not completed or some pre-condition not being met or achieved.

To ensure that the planned programme is completed, it is necessary to carry forward to the new financial year both the unspent budget provision and the source of funding.

CARRY FORWARD CRITERIA

In general, carry forwards relate to specific projects or purchases which are in the main capital items.

Unit Managers were asked to apply the following criteria when determining their carry forwards to 2003/04.

- *Only the unspent portion of a budget relating to specific committed projects or assets which are listed in the 2003 Corporate Plan may be carried forward.*
- *Where carry forwards will result in a Unit's reduced operating or capital budget being overspent at the end of the year, applications for carry forwards will be reduced/declined.*

SCRUTINY OF PROPOSED CARRY FORWARDS

The requests from units were scrutinised by a review team comprising Bob Lineham, John Mackey, Jaime Heywood and Paul Melton. The review team objective was to ensure that all requests complied with the criteria set out above. Where the criteria had not been met or there was no reasonable justification for the carry forward, the item was deleted and the Unit advised. Some projects were reinstated once further information was provided.

ACCOUNTING FOR CARRY FORWARDS

Although not accounted for in the recently adopted Financial Plan, unit budgets will be adjusted by the carry forwards.

What this means in practice is the new year's budget (2003/04) is increased by the carry forwards and the previous year's budget (2002/03) is decreased by corresponding amounts.

In reporting terms, the end of year actuals for 2002/03 will be compared against budgets which have been adjusted downwards by carry forwards. Management reporting throughout 2003/04 will compare actual against budgets, which have been adjusted upwards by carry forwards from 2002/03.

In the Annual Report the original Annual Plan figures are shown together with an adjustment column for carry forwards.

This approach:

- **Makes comparisons between years easier**

The inclusion of carry forwards within the final Financial Plan always made comparisons using previous plans difficult. By excluding all carry forwards from the Financial Plan comparisons are much more easily made.

- **Ensures that the budget only needs to be adjusted once**

Under the old system the budget was adjusted as part of finalising the Annual Plan and again when the end of year results were known in August.

- **Prevents any distortions to the Funding Policy**

The addition of carry forwards has the potential to significantly distort the funding policy allocations when they are included in the Financial Plan.

- **Improves external accountability**

Carry forwards are shown in a separate column of the budget reconciliation table in the Annual Report. This approach strengthens accountability by clearly showing how the budgets have been adjusted.

- **Inclusion in the Corporate Plan**

While the Annual Plan must be printed and available within 20 working days of being approved (Section 223D(7) of the Local Government Act), the Corporate Plan can be delayed in order to include a listing of the approved carry forwards. This ensures completeness in terms of internal reporting.

CARRY FORWARD SCHEDULE

The carry forward schedule (separately circulated) consists of two parts:

- The net operating carry forwards total \$6,199,679
- The net capital carry forwards total \$30,399,427

Included within the above figures are some large one-off carry forwards which have had a significant impact on the above totals. Carry forwards which fall into this category are:

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• Real Time Information Installation	451,599
• Baker Street – Physical Works	653,548
• Cathedral Square – Stage 5	636,822
• Ferrymead Park	453,685
• Canterbury Provincial Chambers	681,489
• Shirley Community Centre	467,000
• New Art Gallery – uncompleted work	483,063
• South Christchurch Library and Service Centre	875,311
• Lyttelton Boating Facility	1,500,000
• Transwaste Equity Funding	400,000
• eCouncil	597,876
• Porritt Park redevelopment	460,508
• South Library - fitout	484,061
• Wastewater Treatment Plant expansion	1,943,540
• CWTP Pond modifications	555,398
• Islington Scheme	445,085

	\$11,088,985
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GENERAL COMMENTS

Operational carry forwards of \$6.2M (\$5.4M for 2001/02) and capital carry forwards of \$30.4M (\$28.8M for 2001/02) are slightly higher than last year's figures.

For comparative purposes the reprogrammed figures from the six monthly review should also be taken into account as they also represent works not completed in the current year. For 2002/03 the combined total is \$45.8M, as compared to \$53.1M in 2001/02. Gross capital expenditure carry forwards/reprogramming has reduced 14%.

It should also be noted that one of the recommendations arising from last year's carry forward report was that a reprogramming and capital smoothing process be initiated for the 2003/04 Annual Plan process. Significant smoothing has been achieved and only projects that have been reasonably well scoped and are likely to be delivered in the time frame specified have been included in the programme. The flow-on benefits of this exercise should reduce carry forward figures in future years.

Staff

- Recommendation:**
1. That the carry forward schedule be adopted.
 2. That the budgets for internal reporting purposes be adjusted for carry forwards.
 3. That the carry forward schedule be included within the Corporate Plan: 2004 Edition.
 4. That the Director of Finance be authorised to make any corrections that may arise subsequently.

Deputy Chairman's

Recommendation: For discussion.