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The purpose of this report is to advise the Council of the carry forwards to 1999/00 and the method of accounting for them. Details of these carry forwards are included in the schedules which have been separately circulated to the Council.

#### **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 1999/00 carry forwards.

- “(i) *Only funds relating to specific projects or assets which are listed in the 1998/99 Corporate Plan may be carried forward.*
- (ii) *Only the unspent proportion of a project provision can be carried forward. As this request is being made before the end of the financial year, managers will have to make the best possible estimate of the unspent portion of the project(s) which they have identified.*

- (iii) *The reason why expenditure has not taken place within the planned financial period must also be stated.*
- (iv) *Where part or all of the carry forward project is being funded by Transit NZ subsidy or special fund draw down, these details should also be noted."*

Unit Managers were also requested to minimise their carry forward list and to take account of any over expenditure which may have occurred in other areas of their Unit's budget.

#### **SCRUTINY OF PROPOSED CARRY FORWARDS**

The requests from Units were scrutinised by a team comprising Bob Lineham, Paul Melton and John Mackey to ensure that all requests complied with 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 Units advised. Some projects were reinstated once further information was produced.

#### **ACCOUNTING FOR CARRY FORWARDS**

Last year the way in which carry forwards were accounted for was changed. Rather than include them in the final version of the Annual Plan, they were scheduled separately and submitted to the September meeting of the Strategy and Resources Committee. By September the end of year results were known and there was no need to estimate the carry forwards as in the past.

The carry forwards to 1999/00 have been accounted for in the same way.

As part of the process all budgets which are used for internal reporting purposes have been adjusted. This means the new year's budget (1999/00) has been increased and the previous year's budget (1998/99) has been decreased by corresponding amounts. The end of year reports to Standing Committees have been adjusted as well.

This approach:

- **Makes comparisons between years easier**

The inclusion of carry forwards always made comparisons using previous Annual Plans difficult.

- **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 which are not evenly spread throughout all activities has the potential to significantly distort the funding policy allocations.

- **Improves external accountability**

Carry forwards will now be shown in a separate column in a budget reconciliation table in the Annual Report. This approach will improve current 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 consists of three sections:

- The operating carrying forwards which total \$2.81M (1998: \$1.83M)
- The capital carry forwards which total \$26.70M\* (1998: \$9.47M)
- The major project carry forwards which total \$ 1.3M (1998: \$12.95M)

\*Included within the capital carry forwards are some large one off carry forwards which have had a significant impact on the total.

• Spreydon Library alterations	\$1.16M
• Central City Car park	\$4.38M
• Hornby Stage/EPH Complex	\$2.22M
• Woolston Burwood Expressway	\$1.22M
• FAMIS Project	\$4.59M
• Canterbury Provincial Council Buildings	\$0.45M
• Beckenham Housing Development	\$0.45M
• Recovered Materials Foundation	\$0.54M
• Riparian and Wetlands purchase	\$0.47M
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	\$15.48M
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**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 1999/00 Corporate Plan.