

9. CARRY FORWARDS TO 2001/02

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The purpose of this report is to advise the Committee of the carry forwards to 2001/02 and the method of accounting for them. Details of these carry forwards are included in the schedules which have been separately circulated to the Committee.

WHY THE NEED TO CARRY FORWARD PROJECTS

When the Financial 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.

In a number of instances projects have been physically completed but the final payment to the contractor had not been released at 30 June 2001.

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 2001/02.

- “(i) Only funds relating to specific projects or assets which are listed in the 2000/01 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, John Mackey, Jamie Heywood and Paul Melton 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 are adjusted by carry forwards.

What this means in practice is the new year's budget (2001/02) is increased by the carry forwards and the previous year's budget (2000/01) is decreased by corresponding amounts.

In reporting terms the end of year actuals for 2000/01 will be compared against budgets which have been adjusted downwards by carry forwards. Management reporting throughout 2001/02 will compare actual against budgets, which have been adjusted upwards by carry forwards from 2000/01.

In the Annual Report the original Financial 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 Financial Plan and again when the end of year results are 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 are shown in a separate column in a 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 Financial 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 parts:

- The net operating carry forwards total \$3.56 million
- The net capital carry forwards total \$29.32 million
- The net combined major project carry forwards total \$2.77 million

Included within both the capital and major projects 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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• Suburban Meters	408,000
• Worcester Street	504,199
• Bus Interchange	901,803
• Canterbury Highways 2000	402,681
• Hornby Housing Stage 1 Project	589,070
• New Art Gallery	856,946
• Strategic Inner City Housing	1,400,000
• Pumping Station 20 Upgrade	1,204,414
• Pumping Station B	1,038,901
• Net Work Wide Serials – South Library Project	400,000
• Flow Monitoring	500,000
• AEE & Consent Preparation	689,000
• Clarifier Construction	581,000
• Central City Capital	2,000,000
• English Park	2,082,183
• QEII Pools Redevelopment	407,474

	\$13,965,671
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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 Corporate Plan: 2002 Edition.
 4. That the Director of Finance be authorised to make any corrections that may arise subsequently.

Chairman's Recommendation: That the above recommendation be adopted.