

3. CARRY FORWARDS TO 2002/03

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The purpose of this report is to advise the Council of the carry forwards to 2002/03 and the method of accounting for them. Details of these carry forwards are included on the attached schedule.

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 2002/03.

- “(i) Only funds relating to specific projects or assets which are listed in the 2002 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 Review 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 will be adjusted by carry forwards.

What this means in practice is the new year's budget (2002/03) is increased by the carry forwards and the previous year's budget (2001/02) is decreased by corresponding amounts.

In reporting terms the end of year actuals for 2001/02 will be compared against budgets which have been adjusted downwards by carry forwards. Management reporting throughout 2002/03 will compare actual against budgets, which have been adjusted upwards by carry forwards from 2001/02.

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 which is attached consists of two parts:

- The net operating carry forwards total \$5.99M
- The net capital carry forwards total \$28.77M

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:

	\$
• Ferry/Humphries Drive	433,750
• Carriageway Sealing	558,176
• Pumping Station No. 20 – Major Upgrade	433,307
• Light Vehicle Purchases	486,226
• New Cemetery Purchase	515,526
• Woolston/Burwood Expressway Stage 2	518,980
• Templeton Community Centre	552,224
• Headworks – Riccarton Pumping Station	570,807
• Riccarton/Straven Road	647,917
• Historic Building Fund	675,927
• Warmer Homes Grant	423,826
• Canterbury Provincial Council Buildings	740,702
• QEII Park Pools Redevelopment	1,120,948
• Central City Park / Residential Development (Ex Turners and Growers site)	1,911,111

	\$9,589,427
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PRIOR APPROVAL

In a number of instances carry forwards have already been approved as part of the 2002/03 Annual Plan approval process. Examples of this type of carry forward include the Heathcote Valley Park (\$185,000 – Unbudgeted revenue from Canterbury Technology Park Joint Venture), Turners and Growers site (\$1.91M) and QEII Village Green (\$200,000).

Although separately approved, items such as this have been included on the schedule for the purposes of completeness.

APPROACH FOR 2003/04

This year's total carry forward figure is at a similar level to last year's figure. While the capital carry forward figure is \$2.42M down on the previous year's figure, the operating carry forward is \$2.10M higher. While it is pleasing to note that carry forwards are at about the same level as last year, it is desirable for the carry forward figure to be trending down.

As part of the 2002/03 Annual Plan process, a number of units reduced their capital programme by reprogramming. This was done as part of the six monthly review. It is planned to build on this initiative for 2003/04 and where appropriate to extend it to other units. Units will also be encouraged where possible to smooth their capital programmes and shift items out to subsequent years. The outcome will be a significantly reduced carry forward figure for 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: 2003 Edition.
 4. That reprogramming and smoothing be initiated for the 2003/04 Annual Plan process.
 5. That the Director of Finance be authorised to make any corrections that may arise subsequently.

Chair's

- Recommendation:** That the above recommendation be adopted.