

Budget carry-overs from 2019/2020

Meeting: Kaipara District Council Meeting
Date of meeting: 30 September 2020
Reporting officer: Paul Cresswell, Financial Planning Lead

Purpose/Ngā whāinga

This report details 2019/2020 projects and operational expenditure that remained incomplete at 30 June 2020 which are listed in **Attachment A**. The report sets out, for Council's consideration and approval, the associated budgets to be carried over to the 2020/2021 financial year to enable the projects to be completed.

Executive summary/Whakarāpopototanga

A number of 2019/2020 of capital works projects were not completed at 30 June 2020. The projects have been assessed by activity managers as to the estimated cost to complete. The projects are listed in Attachment A and amount to a total of \$5,432,911 needing to be added to the 2020-2021 Annual Plan budgets. Where further budget is required to complete, firstly savings have been identified in other projects and, where not available, additional loan funding of \$81,975 will be required.

Further, \$2,641,860 of operational expenditure for the District Plan, Roding works and Dargaville wastewater desludging will be required for 2020/2021. Of this amount, \$2,489,609 remains unspent in 2019-2020 and is requested to be carried over with the remaining requirement of \$152,251 to be funded from 2020-2021's budget provision.

To enable completion of the projects under Council's financial delegations policy, staff require Council approval to increase the 2020/2021 budgets by a total of \$8,074,771. Unless otherwise stated in Attachment A as additional borrowing, funding for the increased expenditure will be from sources which were not used in the previous year.

The increase in this year's carry over request is largely a result of the impact of the Covid19 lockdown and that capital projects have been in the design phase.

Recommendation/Ngā tūtohunga

That Kaipara District Council:

- a) Approves the increase in financial budgets for the unfinished projects as set out in Attachment A to the "Budget carry-overs from 2019/2020" report, totalling \$5,432,911 and for the amounts to be added to the 2020/2021 Annual Plan project budgets to enable staff to complete the identified works.
- b) Approves the carrying over of operational project expenditure as set out in Attachment A to the "Budget carry-overs from 2019/2020" report totalling \$2,641,860 and for the amounts to be added to the 2020/2021 Annual Plan project budgets to enable staff to complete the identified works.
- c) Approves the additional required loan funding of \$81,975

Context/Horopaki

Council's latest AP sets out its programme and budgets for the 2020/2021 year. Due to the AP being prepared and adopted well before year end, the AP makes no financial provision for 2019/2020 works that remained incomplete at 30 June 2020 and which are now expected to be completed during 2020/2021.

Each year, officers identify the outstanding projects and estimate the cost to complete to enable financial provision to be carried over from the previous budgets which are additional to the AP programme. Last year the impact of the Covid19 lockdown has had an impact on Council's ability to undertake its work programme which has resulted in a significant increase in carry overs compared to previous years.

The Chief Executive has Council's delegated authority to financially commit to the AP programme for 2020/2021. As the estimated cost to complete previous works are in addition to the 2020/2021 programme, the Chief Executive requires Council approval for the AP budgets to be increased to cover the additional costs of work being carried over.

Discussion/Ngā kōrerorero

Carry-over capital work is in addition to the new year's programme. 2020/2021's programme included in the AP totals \$27,822,491.

Where projects are managed as programmes, the estimate to complete has been set as the budget remaining from 2019/2020. Programmes are projects for which budget provision has been made but individual work packages were not identified when the budgets were prepared. Activities have the ability to separately identify, manage and report work packages as individual projects within programmes or to manage expenditure of multiple work packages within the programme allocation.

The development of the District Plan spans multiple years and the Policy team has advised that \$132,000 of operational expenditure budget needs to be carried over to 2020/2021. Roothing operations were curtailed with the Covid19 lockdown. Co-funding from NZTA for works not undertaken in 2019-2020 has been carried over and requires available Council local share for the co-funding to be taken up. Council has rated for these amounts in previous years and therefore the carry overs do not affect rates going forward.

Dargaville wastewater desludging is funded from reserves for which funding is being provided over a number of years. The carrying over of unspent funding does not impact on planned rates.

Options

Option 1: Council approves all the carry-over of budgets set out in Attachment A which would enable the completion of projects remaining unfinished at 30 June 2020.

Option 2: Council selectively approves the carry-over of budgets from Attachment A to enable completion of the selected projects. Should Council select Option 2, due to works that have started and are continuing, it should be noted that associated expenditure may have already been committed after 30 June 2020. Any expenditure for carry-overs which is not approved will therefore be a charge against the 2020/2021 budgets. This may require a reduction in new works in order for staff to stay within Council's delegation.

Option 3: Council does not approve the carry-over of budgets listed in Attachment A. Should Council select Option 3, due to works that have started and are continuing, it should be noted that associated expenditure may have already been committed after 30 June 2020. Any expenditure in this regard will be a charge against the 2020/2021 budgets. This may require a reduction in new works in order for staff to stay within Council's delegation.

Option 1 is the recommended option.

Policy and planning implications

Council's delegation's policy allows for the Chief Executive to commit to expenditure up to the budgeted amount included in each year's AP. Council's approval is therefore required to enable the Chief Executive to commit to expenditure over and above that allowed in the AP.

Financial implications

Funding for the budgets that were attached to the carry-over projects remain unutilised in previous periods. The previously unutilised funding will be carried over together with the project expenditure budgets. Additional debt funding has been requested of \$81,975.

Risks and mitigations

- Council's 2020/2021 capital works programme is significantly committed totalling \$27,822,491. Completing the unfinished 2019/2020 works will add to this programme. There is risk that staff and/or contracting resource may be insufficient to achieve all 2020/2021 projects. Financial reporting of projects assists staff in staying abreast of progress and provides the ability to signal works which may need to be reprioritised and others which may require further carry-over to 2021/2022.
- Programme budget carry-overs have been limited to unspent funding from 2019/2020 for which actual costs to complete are yet to be determined. For programmes which are yet to be completed and the carry-over budget is less than is required to complete, additional funding may be needed.

Options to secure additional funding include:

- Utilisation of 2020/2021 programme budgets,
- Additional funding request to Council.
- Additional funding sourced from 2020/2021 programme budgets may require reprioritisation of the work programme proposed in Council's AP.

Significance and engagement/Hirahira me ngā whakapapa

The works to be carried over have been included in Council's previous Long-Term Plan and APs and have therefore already been consulted on. On this basis, the decision to carry-over \$8.1 million of works does not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

Should Council approve the carrying over of the projects in Attachment A (in full or in part), Finance staff will update Council's budgets with the approved carry-over budgets. Activity managers will be informed of the approval thus enabling the project work to be scheduled alongside Council's 2020/2021 projects.

Attachments/Ngā tapiritanga

	Title
A	Budget carry-over requests from 2019/2020 to 2020/2021

Paul Cresswell, 9 September 2019