

Budget carry overs from 2020/2021

Meeting: Kaipara District Council
Date of meeting: 28 July 2021
Reporting officers: Graeme Coleman, Finance & Risk Manager

Purpose/Ngā whāinga

This report details 2020/2021 projects and operational expenditure that remained incomplete at 30 June 2021 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 2021/2022 financial year to enable the projects to be completed.

Executive summary/Whakarāpopototanga

A number of 2020/2021 of capital works projects were not completed at 30 June 2021. The projects have been assessed by activity managers as to the estimated cost to complete. Where further budget is required to complete, firstly savings have been identified in other projects and, where not available it has been identified that additional reserve funding of \$42,000 will be required.

The projects are listed in Attachment A and amount to a total of \$12,684,400 needing to be added to year one of the new Long Term Plan 2021-2031 budgets and \$2,403,700 added to year two of the Long Term Plan 2021-2031 budgets.

Further, \$338,850 of operational expenditure for the Dargaville wastewater desludging will be required for 2021/2022. This amount remains unspent in 2020/2021 and is requested to be carried over in order to fund the remaining work required.

To enable completion of the projects under Council's financial delegations policy, staff require Council approval to increase the 2021/2022 budgets by a total of \$13,023,250 and notes that \$2,403,700 is required for the 2022/2023 budgets. 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 ie they are already accounted for in the LTP in debt or financial contributions reserve funding. It is important to note that \$10.4 million of the \$12.68m capital expenditure carry overs relates to externally funded projects where a significant amount of those budgets had been applied to the current year ahead of detailed cost phasings being prepared.

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 2020/2021" report, totalling \$12,684,400 and for the amounts to be added to year **one** of the Long Term Plan 2021/2031 project budgets to enable staff to complete the identified works.
- b) Approves the increase in financial budgets for the unfinished projects as set out in Attachment A to the "Budget carry-overs from 2020/2021" report, totalling \$2,403,700 and for the amounts to be added to year **two** of the Long Term Plan 2021/2031 project budgets to enable staff to complete the identified works.
- c) Approves the carrying over of operational project expenditure as set out in Attachment A to the "Budget carry-overs from 2020/2021" report totalling \$338,850 and for the amounts

to be added to year one of the Long Term Plan 2021/2031 project budgets to enable staff to complete the identified works.

- d) Approves the additional required reserve funding of \$42,000 from Mangawhai financial contribution reserves.

Context/Horopaki

Council's new Long Term Plan (LTP) sets out its programme and budgets for the 2021/2022 year. Due to the LTP being finalised and adopted before year end, the LTP makes no financial provision for 2020/2021 works that remained incomplete at 30 June 2021 and which are now expected to be completed during 2021/2022.

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 Annual Plan/LTP programme. Last year the sheer volume of work being undertaken had an impact on Council's ability to complete its work programme which has resulted in a significant increase in carry overs compared to previous years with over 80% of the carry over budgets relating to externally funded work. For these projects it is important that the full amount of funding offered is carried forward and made available to complete the relevant projects. The following is a summary of the externally funded work requested to carry over:

3 Waters projects funded by Dept of Internal Affairs	\$2.6 million
Shared path funded by MBIE and Waka Kotahi	\$1.2 million
Kaipara wharves and roading improvements funded by Provincial Growth and Shovel Ready Funds	\$6.6 million
Total	\$10.4 million

The Chief Executive has Council's delegated authority to financially commit to the AP/LTP programme for 2021/2022. As the estimated cost to complete previous works are in addition to the 2021/2022 programme, the Chief Executive requires Council approval for the 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. The 2021/2022 programme in the LTP totals \$51.46 million so the additional carry-overs will place more pressure on our existing resources. The capital spend has already been factored into the budget so the costs of debt/reserves funding was accounted for when the LTP was developed. This makes the total spend in the 20/21 year \$64.14m.

Where projects are managed as programmes, the estimate to complete has been set as the budget remaining from 2020/2021. 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.

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 2021.

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 2021. Any expenditure for carry-overs which is not approved will therefore be a charge against the 2021/2022 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 2021. Any expenditure in this regard will be a charge against the 2021/2022 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. Many of the projects are well through the procurement process and construction may have begun.

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 reserve funding has been requested of \$42,000 and this can be accommodated as financial contributions have been higher than estimated.

Risks and mitigations

- Council's 2021/2022 capital works programme is significantly committed totalling \$51.46 million. Completing the unfinished 2020/2021 works will add to this programme. There is risk that staff and/or contracting resource may be insufficient to achieve all 2021/2022 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 2022/2023.
- Programme budget carry-overs have been limited to unspent funding from 2020/2021 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 if required include:

- Utilisation of 2021/2022 programme budgets,
- Additional funding request to Council.
- Additional funding sourced from 2021/2022 programme budgets may require reprioritisation of the work programme proposed in Council's AP.

Significance and engagement/Hirahira me ngā whakapāpā

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 \$12.68 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 2021/2022 projects.

Attachments/Ngā tapiritanga

	Title
A	Budget carry over requests from FY21 to FY22