

**QLDC Council
6 September 2018**

Report for Agenda Item: 7

Department: Finance

Budget Carry Forwards for 2017/18

Purpose

The purpose of this report is to adjust the budget for the 2018/19 financial year as a result of requests for budget carry forwards.

Recommendation

That Council:

1. **Authorises** adjustments to the budgets for the 2018/19 financial year in order to provide for capital expenditure carry forwards of \$22,494,699 and Transport Infrastructure Funding of \$755,000 from the 2017/18 Parking Surplus as included in Attachment A; and
2. **Authorises** adjustments to the budgets for the 2018/19 financial year in order to provide for operational expenditure carry forwards of \$691,500 (net) as included in Attachment B.

Prepared by:

Reviewed and Authorised by:



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22/08/2018



Stewart Burns, GM Finance
Legal & Regulatory

22/08/2018

Background

- 1 In some instances, it will not be possible to complete all capital projects within original time frames. Where projects have not been completed by 30 June 2018, the budget manager must request that funding be carried forward from 2017/18 to 2018/19.
- 2 Once the carry forward is approved, the budget for 2018/19 is then adjusted.

Carry Forwards 2017/18

- 3 The process for approving carry forwards for inclusion in the 2018/19 budget is as follows:

- a) Initial requests for carry forward called for by 27 July 2018
- b) Carry forward requests reviewed by GM, CEO and CFO
- c) Requests for carry forward endorsed by executive are prepared for consideration by full Council
- d) Final requests for carry forward updated for latest financial data
- e) Consideration by full Council on 6 September 2018

The instructions given to Budget managers regarding requests for carry forwards are as follows:

- i) The amount of carry forward is limited to the total amount of unspent capital budgets for the GL activity in question.
 - ii) Applications for carry forward must relate to the original approved project.
 - iii) Budgets comprising provisions (with no defined projects) will not be considered for carry forward.
- 4 In addition to the these basic principles, the executive sought to minimise carry forwards by testing requests against provision of budgets in the 2018/19 year.
- 5 Most of the final carry forwards reflect the situation where the project is committed and is underway but incomplete at 30 June 2018.

Options

- 6 Option 1: Authorise the Carry Forwards and adjust the 2018/19 budget.
- 7 Advantages: Provides budget for previously approved projects in the year that the work is carried out.
 - 8 Disadvantages: None
- 9 Option 2: Do not authorise the Carry Forwards and do not adjust the 2018/19 budget
- 10 This report recommends **Option 1** for addressing the matter.

Significance and Engagement

- 11 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because all of these projects were subject to the Annual Plan process, which requires the Special Consultative Process, and as such no wider consultation is required.

- 12 This matter relates to the strategic risk SR1 (Current and future development needs of the community), as documented in the Council's risk register. The risk is classed as high. This matter relates to this risk because it provides for the delivery of Council's capital programme, which has been developed to meet the community's needs.

Financial Implications

- 13 The approved capital budget for the 17/18 Annual Plan totalled \$64.2m, this was further supplemented by \$11.7m of carried forward budget from the 2016/17 financial year. Adjustments to this budget have been agreed throughout the year. A summary of these movements is detailed below in Table A.
- 14 The actual expenditure in 17/18 was \$55.6m, which was 80.4% of the adjusted budget of \$69.19m as at 30 June 2018.
- 15 The total of capital carry forward requests from 2017/18 to 2018/19 for approval now by Council is \$10.3m. The addition of this carry forward to carry forwards approved throughout the year brings the total to \$22.5m (2016/17 to 2017/18 was \$20.1m). An additional \$0.75m is requested as a budget adjustment to be allocated to public transport minor Infrastructure projects in 18/19. This will be funded from the 17/18 operational parking surplus (Transport Infrastructure Fund) and has been approved by the Infrastructure Committee
- 16 The total operational carry forward requests approved by senior executives is \$0.7m (2016/17 to 2017/18 was 0.8m). \$0.2m of this is for economic development labour market initiatives; \$0.04m timing of Coronet Peak harvest costs; \$0.2m for timing of the Skyline tree management contribution; and \$0.25m for allocation of Transport Infrastructure Funding from the 17/18 Parking Surplus to 18/19 Projects to support public transport initiatives including network mapping and website development.
- 17 Through the carry forward process we recognised negative carry forwards were required. This situation occurs where larger construction projects are ahead of schedule. The total of capital budget to be brought forward from 2018/19 to 2017/18 is \$0.2m, which mainly represents timing of deliver for the Project Shotover Disposal Field.
- 18 The financial impact on approved budgets for 2018/19 is neutral because the approved funding from 2017/18 is also brought forward. The funding will be a mix of loans, transfers from reserves (depreciation, development contributions and land sales), NZTA subsidy and rates.

Table A

		\$
Original Total Annual Plan Budget 17/18		64,118,200
Budget carried forwards from 16/17 to 17/18		11,667,191
Adjustments throughout the year - carry forwards, new projects & brought Forwards		
Budget Carry Forwards 17/18 to 18/19		
- Wanaka Land Reserve (Provision)	- 2,000,000	
- Rising Main - Shotover Country to Glenda Dr	- 2,000,000	
- Project Shotover Disposal Field	- 1,181,616	
- Other Carry Forwards	- 6,959,363	
Subtotal Carry Forwards		- 12,140,979
New Budget approved		
- LED Street Light Replacements Wak & Wan	2,000,000	
- Arrowtown Community & Sports Centre Fund	950,000	
- LTP Enabling Works & Procurement Plan	700,000	
- Other	712,140	
Subtotal New Budget approved		4,362,140
Budget Brought Forward 18/19 to 17/18		
- HIF Business Cases for Quail Rise, Ladies Mile and Kingston	840,000	
- Wanaka Office Improvements	200,000	
- Other	400,000	
Subtotal Brought Forward approved		1,440,000
Other Adjustments		- 253,090
Adjusted capital budget 17/18		69,193,462

Council Policies, Strategies and Bylaws

19 The following Council policies, strategies and bylaws were considered:

- 10 Year Plan 2015-25, Annual Plan 17-18, Annual Plan 18/19.

20 The recommended option is consistent with the principles set out in the named policy/policies.

Local Government Act 2002 Purpose Provisions

21 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by providing budget for the completion of the 2017-18 capital programme;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

22 The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community.

23 These projects were all subject to the Annual Plan process, which requires the Special Consultative Process, and as such no wider consultation is required.

Attachments

- A Combined Capital Carry Forwards from 2017/18 to 2018/19
- B Combined Operational Carry Forwards for 2018/19