Ref: [redacted]

Civic House, 110 Trafalgar Street
PO Box 645, Nelson 7040, New Zealand

P (03) 546 0200

E LGOIMA@ncc.govt.nz
nelson.govt.nz

13 May 2024

[redacted]

Dear [redacted]

OFFICIAL INFORMATION REQUEST FOR INFORMATION CONCERNING THE FINANCIALS FOR THE LONG TERM PLAN 2024-34.

I refer to your official information request dated 19 April 2024 for information concerning the application of "scope adjustments" to capex estimates in the Long Term Plan 2024-34.

The information you requested is below, each part with our respective answers:

1. **What is meant by "scope adjustment". Does this mean that less works will be done or simply that the budget for the same work has been reduced?**
   - Scope adjustment is an internal term used to describe the mechanism that we use to reduce our overall capital programme budget. We have made an overall downward adjustment to the total capital programme of approximately 10% per year. This adjustment acknowledges that we are unlikely to deliver the full work programme and to use the full amount of contingency in the programme for every project. This enables us to avoid overfunding the activities and thus over rating for the related finance costs.
   - In effect no individual project budget is reduced therefore budget holders can utilise the full budget if required. However, we know from historical trends that there will be both savings on projects due to contingencies not being fully utilised as well as delays in projects due to unforeseen external factors that will lead to budgets being carried forward to future years, on average our capital delivery on an annual plan budget (excluding scope adjustment) has been 79% in the last five years. So our intention is that full scope of work will be completed per project some of which will use less contingency than what is provided for and some of which will happen in a later year than originally planned.
   - Any build up of budgets being carried forward would be dealt with through a reprioritising process in the next Long term plan.

2. **Have the scope adjustments been agreed to by the relevant budget holders or has this been imposed on them?**
   - Neither, as mentioned above, budget holders have authority to fully utilise their budgets per project as required.

3. **Does this mean that budgeted works now have less contingency provision built into them?**
   - No, contingency provision per project is unaffected by the macro scope adjustment process.

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4. **Will reporting be against the original budget or the "scope reduced" budget?**
   - Internal reporting at a project level will ignore scope adjustment but reporting at an activity level will be against the scope reduced budget unless otherwise stated in the report.

5. **Has the application of "scope reductions" been necessitated by the need to remain within debt cap limits ie 200% of annual revenue?**
   - No, the application of this mechanism was first introduced in the 2021-31 Long Term Plan and is used to try and achieve realistic debt funding forecasts based on historical project delivery trends. Overestimating debt levels leads to an impact on rates via forecast interest repayments.

You have the right to seek an investigation and review by the Ombudsman of this response. Information about how to make a complaint is available at www.ombudsman.parliament.nz or Freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact Prabath Jayawardana Prabath.jayawardana@ncc.govt.nz

Yours sincerely

Prabath Jayawardana
Manger Finance