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**Committee** Policy, Finance and Strategy  
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## **Finance and Administration: Proposed Business Plan 2004-2013**

### **1. Purpose**

To seek approval of the proposed Business Plan 2004-2013 for the Finance and Administration Division, including any amendments approved by the Committee.

### **2. Overview**

The Finance and Administration Division includes the following departments:

- Finance
- FIS Development and Special Projects
- IT and Support Services
- Chief Financial Officer

In addition, the Division includes responsibility for property services (currently contracted out), the costs of which are directly charged to those departments using property services.

The rates collection activity of the Council is jointly managed by the Division and Council Secretariat. The total cost for 2004/05 is \$1,718,000 (net of rate penalties expected) the majority of which is allocated to separately rate funded activities of the Council e.g. Transport and thereby included in such Business Plans.

The Finance department is responsible for co-ordinating financial planning and consolidated financial reporting throughout the organisation. In this co-ordination role the Finance department's function is both that of an information provider and of a 'central controller'. Finance provides a key element of the 'corporate glue' which binds the organisation together and, as such, has responsibility for providing the Council's corporate Financial Information

Systems (FIS). Finance is also responsible for administering Council's Treasury function and for processing of financial transactions, including Accounts Receivable and Accounts Payable.

IT and Support Services includes three main areas of activity:

- Information Technology
- Records/Library Services
- Reception/Administration Support

Regional Council Centre (RCC) occupancy is also included within the IT and Support Services Operating Plan. RCC occupancy is a cost recovery unit established to receive and redistribute occupancy costs of the RCC. The Council pays rental for the RCC to its 100% owned subsidiary, Pringle House Ltd. This rental, along with other costs of occupying the RCC centre, is recharged to each area of Council on the basis of floor space.

In terms of staff numbers, IT and Support remains the largest component of the Division (approximately 60% of staff numbers within the Division).

The CFO support area consists of the Chief Financial Officer and his Secretary.

The proposed Business Plan for the Division includes the following proposed Operating Plans:

- Finance
- FIS Development and Special Projects
- IT and Support Services
- Chief Financial Officer

Copies of the Divisional business plan have already been provided to Councillors and will be tabled at the meeting on 4 March 2004.

### **3. Key Issues/Areas of Focus**

#### **3.1 Provision of Financial Advice on Key Issues**

The provision of financial analysis and advice to the Chief Executive, Councillors and Directors of Council's 100% owned companies will remain a key area of focus for 2004/05 and beyond. Key issues going forward include:

- Tranz Metro (improvements to the Rail contract)
- Governance over Council controlled organisations
- Pro-active advice in other key areas of business risk

A prime focus of the CFO will be to provide advice that as far as practicable is consistent with maintaining the Council's five "excellent" grades from the Audit Office and its AA credit rating from Standard and Poor's.

### 3.2 Service Delivery to divisions

The Division aims to continue to provide quality services to other divisions which compare well when benchmarked to externally provided services. Staff are encouraged to contribute positively to the way the Division delivers services, in line with the continuous improvement philosophy.

### 3.3 Refinement of Rates Collection Process

During 2002 a major review of rate collection procedures was undertaken which resulted in new rate collection agreements being signed with all TLA's in the Region (with the exception of Tararua District). The agreements came into force during 2003/04 and are working well. However, there remains some fine tuning to be done as we strive for more regional consistency.

### 3.4 Implementation of the requirements of the new Local Government Act

The Local Government Act which was recently passed into law contains a number of new reporting and disclosure requirements, many of which were addressed as part of the 2003 LTCCP, such as improving the linkage of outputs to outcomes. However, it is expected that there will be a continuing focus on Local Government Act implementation issues during 2003/04 and beyond as the Council fine tunes its procedures (e.g. development of new summary Annual Report).

### 3.5 Monitoring of Council's investments

The Council continues to hold a significant portfolio of investments which currently contribute approx 13% of the Council's rate line (in other words rates would need to increase by 13% in the absence of this contribution). The focus remains on risk reduction and on enhancing investment returns and shareholder value for as long as Council retains its ownership interest in these investments.

Resolution of the status of the Wellington Regional Stadium Trust for both governance/accountability and income tax purposes remains a key issue.

### 3.6 Enhancing value from the Council's Financial Information Systems

The Division implemented a new FIS solution during the 1999/2000 year.

The systems implementation, and subsequent upgrade to the latest version of the SAP software, were very successful and the Council's FIS systems are now operating well in a "steady state". However, like any major asset it is important that good asset management practices are followed by appropriately planning for future upgrades and other process improvements. The next major software upgrade is scheduled to take place in 2005/06. In addition, efforts are expected to continue to fine tune business continuity planning for Council's key FIS system, SAP.

### 3.7 Information Technology Developments

The Division will continue to assist other divisions to investigate, acquire and operate IT systems that support their operations.

Current projects, which are likely to continue in the 2004/05 year include:

- enhancing the Council's web site
- assisting divisions to respond to the IT stocktake currently underway.

In addition, the IT staff will continue planned upgrades to the overall technology infrastructure so that the infrastructure remains reliable and appropriate to the users' needs.

### 3.8 Further refinement of Council's business planning framework

The Council has a very well developed business planning framework which sits at the heart of Council's management culture. Business planning, incorporating both financial and non-financial targets, is an important part of management accountability whereby managers are held accountable for the cost effective delivery of quality outputs.

The Council has for some years integrated its annual planning cycle into the long term planning framework, which is now also a requirement of the Local Government Act. Each three years the Council undertakes a thorough review of the basis of its resource allocation, and of the success of its programmes in achieving its stated outcomes towards achieving a sustainable Region.

Further refinements in the framework are desirable particularly in the area of linking performance indicators to outcomes.

### 3.9 Improvements to Asset Management Practices

The Division will continue to work closely with other divisions in respect of asset revaluation issues and the CFO will continue to act as a facilitator in respect of improvements to asset management plans to ensure the Council remains a leader in this area.

### 3.10 Preparation for adoption of new Financial Reporting Standards

All local authorities in New Zealand will need to comply with a new set of accounting standards for the year ending 30 June 2007. In practice this means adoption of the new standards in the Council's next LTCCP in 2006.

The new standards are not yet available as they are still under development. However, this is an area that is expected to require a lot of resource during 2004/05 i.e. getting on top of the new requirements and amending existing systems/processes to ensure the necessary information can be made available by 2006.

#### 4. Values

In performing the work of the Division it is important that all staff operate within a framework of expected behaviour. In this regard the Chief Financial Officer has identified the following values as important to him personally and to the Division.

1. 

<b>Integrity</b>
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  - Individual
  - Systems/information quality
2. 

<b>People</b>
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  - Job satisfaction for all staff
  - Having fun at work
  - Personal development of all staff
3. 

<b>Net Ratepayer Benefit</b>
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  - Value for money for ratepayers
  - Appropriate management of risk
4. 

<b>Customer Satisfaction</b>
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  - Delivering on promises
  - “Going the extra mile”
5. 

<b>Practicality</b>
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  - Making sure it works
  - Keeping it simple

#### 5. Changes from the LTCCP – 2004/05 year

The workload of the Division tends to be quite stable between years which is related to the fact that much of the work of the Division is “service” based rather than “project” based.

There has been no change to the service levels of the Division and therefore little change to the LTCCP figures.

However, one new project has been introduced due to a new requirement in the Local Government Act 2002 – a new summary annual report is now required (estimated cost \$15,000).

In addition, input costs (e.g. salaries) of the Division have increased by \$14,000.

**6. Financial implications across the remaining eight years**

Funding required by the division is relatively flat over the period.

**7. Changes to the proposed business plan recommended by officers**

Officers are not recommending any changes to the proposed business plan.

**8. Communications**

Any communications opportunities will be dealt with as part of the overall communication of the Annual Plan.

**9. Recommendations**

*That the Committee recommend to Council that it:*

- (1) receive the report and note its contents.*
- (2) note that the proposed business plan 2004-2013 for the Finance and Administration Division includes proposed operating plans for the following departments:*
  - Finance*
  - FIS Development and Special Projects*
  - IT and Support Services*
  - Chief Financial Officer*
- (3) approve the proposed business plan for the Finance and Administration Division (including any amendments approved by the Committee) for inclusion in the Council's proposed 2004/05 Annual Plan.*

Report prepared by:

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Chief Financial Officer