

11.2.0

*FINANCIAL SERVICES*



RESPONSIBLE COMMITTEE:	<b>STRATEGY &amp; FINANCE COMMITTEE</b>
BUSINESS UNIT:	<b>FINANCIAL SERVICES</b>
ACTIVITY:	<b>BUSINESS UNIT SUMMARY</b>

### **Key Changes**

#### ***Committed Costs (Operating)***

- Valuation of Operational Assets and Infrastructural Assets** \$25,000  
 To meet the requirements of Financial Reporting Standard No. 3 (FRS 3) the Council is required to revalue its Assets on a cyclical basis. Those assets which will need to be revalued in 2004/05 are the Sewerage Infrastructural Assets and Land & Buildings. The estimated cost of this revaluation is \$85,000. A provision of \$60,000 was made in the long term projections, however based on current costs and an additional \$25,000 will be required to cover the estimated costs of this revaluation.

#### ***New Capital/Operating Initiative***

- Financial Planning System**  
 The Council currently uses Excel spreadsheets to create, summarise, report and model its budget projections. The spreadsheets were first developed in 1990 and since then have been greatly expanded to include a limited financial modelling capability (1993) and a funding policy application (1997).

For the last thirteen years the spreadsheet based system has served the Council well. However in terms of the new Local Government Act (the Act) the system is deficient in a number of areas. In addition the growing complexity of the system and the large number of spreadsheet linkages has created further problems. The deficiencies and problems with the spreadsheet based system can be summarised as follows:

- it is not sophisticated enough to model multiple options as required by Sections 77, 84 and 97 of the Act; nor provide the asset management information required by Schedule 102(1)(d) of the Act;
- the system will be very difficult to audit (the auditability of the budgets and financial planning model is a statutory requirement for the 2006/07 Long Term Council Community Plan and onwards – see sections 84 and 94 of the Act);
- the system is not able to cope with the level of detail now required for years 2 to 10;
- the system does not support multiple reporting structures;
- because of the complexity and large number of linkages there is a significant risk of errors;
- the system does not facilitate version control;
- it is a separate stand alone system not integrated with SAP (the financials and project accounting are managed by SAP) or with any Asset Management Systems;
- the system is very dependent on the knowledge and expertise of one person, (the Financial Planning Accountant); and
- the processes which support the spreadsheet based system are very complex and drawn out.

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***New Capital/Operating Initiative (contd.)***

Changing to a new system is also an opportunity to review the processes which support the system. Comparisons with Auckland City Council and Manukau City Council have highlighted how long and complex our processes are.

A new financial planning system would allow us the opportunity to re-engineer current budget processes.

The estimated costs of the project have been assessed as follows:

\$432,750 for operating costs. This includes – scoping work, training, and process re-engineering.

\$742,500 for Capital Costs. This includes Hardware (two servers) and Integration work.

The scoping, planning and implementation of this project will be carried out by a team drawn from the ITS Unit and Financial Services Unit.

This project proposal has been endorsed by the Senior Executive Team.

[See next page for details of the operating and capital costs of this project.]

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*New Operating Initiative*

- Financial Planning System (See also the new capital initiative below. The rationale for this project is detailed on pages 11.2.i and 11.2.ii). \$432,750

*New Capital Initiative*

- Financial Planning System (See above for operating component of this project. The rationale for this project is detailed on pages 11.2.i and 11.2.ii). \$742,500

*Efficiency Gains*

- Bank Contract Savings** (\$30,000)  
The Council's banking contract has recently been re-tendered. The outcome of this process is that the bank fees for 2004/05 can be reduced by (\$30,000). As well as saving the Council \$30,000 per year the new contract will provide increased levels of service and greater product range.



## 11.2.1

MONITORING COMMITTEE:	STRATEGY & FINANCE COMMITTEE
BUSINESS UNIT:	FINANCIAL SERVICES
OUTPUT CLASS:	OUTPUT SUMMARY

	2003/2004 BUDGET \$	2004/2005 BUDGET \$
<b>NET COST SUMMARY</b>		
<b>RATING SERVICES</b>		
Valuation Information	0	0
Rates Administration	0	0
Water Billing	0	0
<b>PLANS</b>		
Corporate Plan	0	0
Annual Plan / LTCCP	0	0
<b>ADVICE</b>		
Financial Advice	0	0
Financial Advice - Financial Advisors	0	0
<b>ACCOUNTING SERVICES</b>		
Payroll	0	0
Accounts Payable	0	0
Accounts Receivable	0	0
Bank Reconciliation	0	0
Taxation	0	0
Asset Register	0	0
Management Accounting	0	0
<b>FINANCIAL REPORTING</b>		
Annual Report	0	0
<b>SYSTEMS SUPPORT</b>		
Financial Systems Support	0	0
<b>NET COST OF OUTPUTS</b>	0	0
<b>COST OF CAPITAL EMPLOYED</b>	1,696	1,598
<b>CAPITAL OUTPUTS</b>	25,000	762,500

## 11.2.2

MONITORING COMMITTEE:	<b>STRATEGY &amp; FINANCE COMMITTEE</b>
BUSINESS UNIT:	<b>FINANCIAL SERVICES</b>
OUTPUT CLASS:	<b>OUTPUT SUMMARY</b>

	<b>2003/2004 BUDGET</b>	<b>2004/2005 BUDGET</b>
<b>OUTPUT CLASS EXPENDITURE</b>	<b>\$</b>	<b>\$</b>
<b>RATING SERVICES</b>		
Valuation Information	952,595	813,645
Rates Administration	2,616,566	2,541,754
Water Billing	308,374	363,068
<b>PLANS</b>		
Corporate Plan	65,875	69,692
Annual Plan / LTCCP	242,567	293,932
<b>ADVICE</b>		
Financial Advice	223,010	180,663
Financial Advice - Financial Advisors	0	275,756
<b>ACCOUNTING SERVICES</b>		
Payroll	450,952	581,720
Accounts Payable	559,843	467,901
Accounts Receivable	500,779	552,701
Bank Reconciliation	157,797	163,760
Taxation	93,773	96,193
Asset Register	173,413	185,367
Management Accounting	477,207	959,260
<b>FINANCIAL REPORTING</b>		
Annual Report	362,576	420,650
<b>SYSTEMS SUPPORT</b>		
Financial Systems Support	401,609	492,458
<b>TOTAL EXPENDITURE</b>	<b>7,586,935</b>	<b>8,458,517</b>



## 11.2.3

MONITORING COMMITTEE:	<b>STRATEGY &amp; FINANCE COMMITTEE</b>
BUSINESS UNIT:	<b>FINANCIAL SERVICES</b>
OUTPUT CLASS:	<b>OUTPUT SUMMARY</b>

<b>OUTPUT CLASS REVENUE &amp; RECOVERIES</b>	<b>2003/2004 BUDGET</b>	<b>2004/2005 BUDGET</b>
	<b>\$</b>	<b>\$</b>
<b>RATING SERVICES</b>		
Valuation Information	952,595	813,645
Rates Administration	2,616,566	2,541,754
Water Billing	308,374	363,068
<b>PLANS</b>		
Corporate Plan	65,875	69,692
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Annual Report	362,576	420,650
<b>SYSTEMS SUPPORT</b>		
Financial Systems Support	401,609	492,458
<b>TOTAL REVENUE &amp; RECOVERIES</b>	<b>7,586,935</b>	<b>8,458,517</b>



## 11.2.4

MONITORING COMMITTEE:	<b>STRATEGY &amp; FINANCE COMMITTEE</b>
BUSINESS UNIT:	<b>FINANCIAL SERVICES</b>
OUTPUT CLASS:	<b>CAPITAL OUTPUTS</b>

	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
<b>RENEWALS &amp; REPLACEMENTS</b>					
Equipment & Office Furniture	20,000	20,000	20,000	20,000	20,000
Financial Planning System	742,500				
<b>TOTAL RENEWAL &amp; REPLACEMENTS</b>	762,500	20,000	20,000	20,000	20,000
<b>TOTAL</b>	762,500	20,000	20,000	20,000	20,000
<b>Annual Plan 2003/2004</b>	<b>\$25,000</b>	\$20,000	\$20,000	\$20,000	\$20,000

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
<b>RENEWALS &amp; REPLACEMENTS</b>	20,000	20,000	20,000	20,000	20,000
	20,000	20,000	20,000	20,000	20,000
<b>Annual Plan 2003/2004</b>	\$20,000	\$20,000	\$20,000	\$20,000	



11.2.5

MONITORING COMMITTEE:		STRATEGY & FINANCE COMMITTEE				
BUSINESS UNIT:		FINANCIAL SERVICES				
ACTIVITY:		FEES SCHEDULE				
Fees Description	2003/2004 Present Charge	2003/2004 Revenue from Present Charge	2004/2005 Proposed Charge	2004/2005 Projected Revenue From Proposed Charge	2004/2005 Projected Revenue as a percentage of Total Cost	Notes
Valuation Roll Charge	\$6 per Printed Assesment	\$0	\$6 per Printed Assesment	\$0	FCR	1
Investigation & Research Fee for Rates Information	\$50.00 per hour		\$50.00 per hour			
Investigation & Research Fee for Accounts Receivable Information	\$50.00 per hour		\$50.00 per hour			
Canterbury Regional Council Commission on Rates	2 % of rates	\$508,256	2 % of rates	\$532,564	FCR	2
Commission on Insurance Deductions	2.50%	\$1,500	2.50%	\$1,500		
Payroll Service Charge (Other than Council Staff)	\$2 per person per week	\$0	\$2 per person per week	\$0		
Accounting Services provided to CCC LATES		\$40,000		\$52,500		
TOTAL		\$549,756		\$586,564		
(1) Prepared on a marginal cost basis. (2) FCR = Full Cost Recovery						