

## 6. CORPORATE FINANCE QUARTERLY REPORT

<b>General Manager responsible:</b>	General Manager Corporate Services, DDI 941-8540
<b>Officer responsible:</b>	Corporate Finance Manager
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### PURPOSE OF REPORT

1. The purpose of this report is to provide the Audit and Risk Management Subcommittee with an update on financial matters arising from the previous meeting including the Council's key treasury and debtor financial ratios and KPIs as at year end.

### AUDIT AND RISK ISSUES

2. Over the past month the initial internal Audit Strategic Plan as developed by PricewaterhouseCoopers in May 2006 has been reviewed and updated based on the first two years of activity under the co-sourced arrangement between PwC and the Council. (This report is attached to the quarterly internal report.) The result is an extensive programme for the next two years which addresses all of the areas of significant risk as identified by the Subcommittee at the last meeting.
3. Completion of the year end accounts and annual report production is proceeding on time. A draft copy of the complete report is scheduled to be reviewed by the external members of this committee on 15 September, brought to the full committee on 22 September and to the Council for adoption on 16 October. This last date may need to be moved to fit in with the Council's timetable. There are no issues to date; the Council process being one week ahead of schedule.
4. The OAG Annual report to Parliament included a section on local government's reporting of their exposure to leaky home liabilities and the appropriateness of their accounting treatment. The OAG identified three categories of claims:
  - Category one, where the claim has been reviewed, quantified and the Council's share confirmed,
  - Category two, where the claim is still to be investigated
  - Category three, an assessment of future liability between now and the end of the statutory liability period.

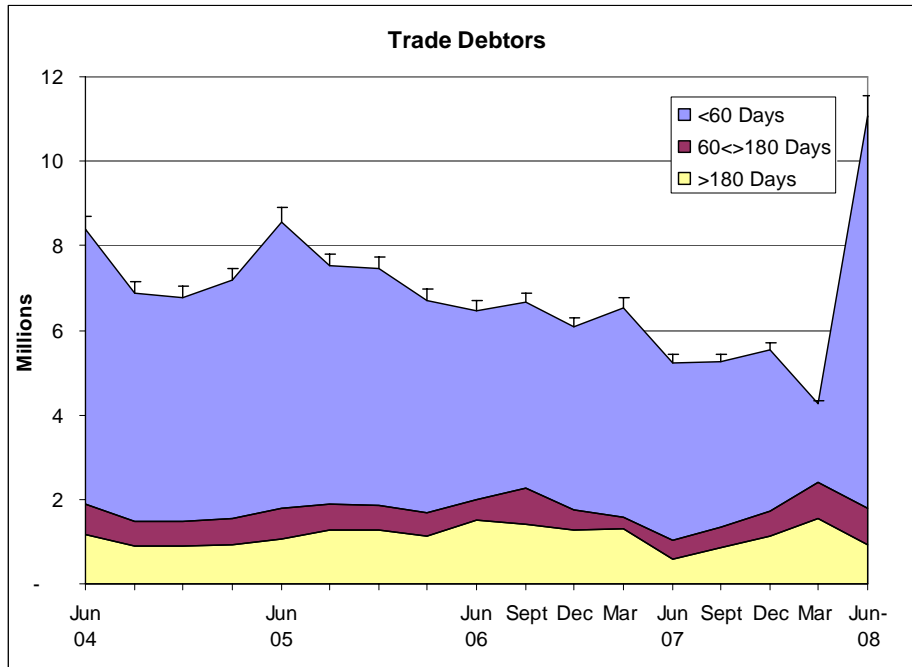
There are six councils with significant exposure, including ourselves. Our accounting treatment of category one and two claims is in line with the OAG's recommendations although we do need to expand on the note of disclosure explaining our treatment of unresolved claims. Our treatment of category three claims was based on a projection of future costs using the average claims settled annually, updated to reflect changes in the insurance excess and multiplied by the number of years outstanding. The OAG is recommending an actuarial assessment but given the lack of materiality of the Council's liability we will not be acting on this. What we will do is expand on our note to better explain the basis of our calculation.

### TREASURY

5. Treasury: The table attached as Appendix 1 shows that the Council remained well within its financial ratio policy limits. Council funding requirements were substantially less than predicted in the 2007/08 Annual Plan due to lower capital expenditure and a higher-than-expected operating surplus for the year to June 2007. Liquidity, credit and interest rate risk, also remain within target limits. As indicated in the last report, Asia Pacific Risk Management have now reviewed our debt requirements and have advised on the most efficient borrowing process and one which utilises the strength of the Council's balance sheet. This has resulted in our being able to borrow at 12bp over the market rate as opposed to a minimum of 120bp which many other councils are paying. Our financial ratios are also under review and a report will be brought to this committee in due course.

## DEBTORS

6. Debtors; as indicated in the chart below the balance of overdue accounts (60 days and over) has started to improve. Focus is continuing in this area to ensure that overdue debts are collected and that the process is improved. The bad debt provision has been increased by \$267k in preparation for year end so that all debt over 180 days is fully provided for. Current debtors invoicing to Land Transport New Zealand of \$3.9m, neighbouring councils for the recovery of UDS costs, \$709k and sundry year end invoicing of \$503k.



## FINANCIAL AND LEGAL CONSIDERATIONS

7. There are no financial or legal implications.

## STAFF RECOMMENDATION

It is recommended that the report be received.