

3. CORPORATE FINANCE REPORT FOR PERIOD ENDED MARCH 2010

General Manager responsible:	General Manager Corporate Services, DDI 941-8528
Officer responsible:	Corporate Finance Manager
Author:	Diane Brandish

PURPOSE OF REPORT

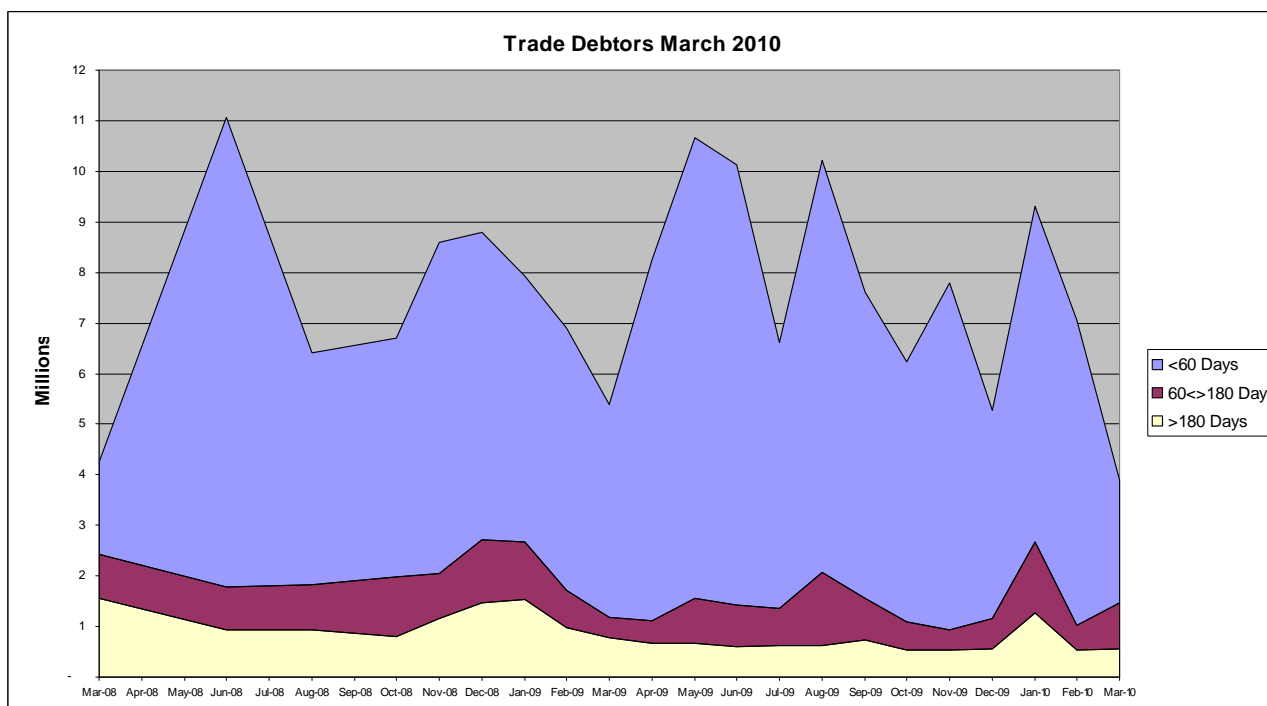
1. The purpose of this report is to provide the Audit and Risk Management Subcommittee with an update on key financial and treasury matters for the period ending March 2010.

TREASURY

2. The table attached as Appendix 1 shows that the Council remained within its financial ratio policy limits. Council continues to be a net investor with investments in cash, bonds, floating rate notes and advances to subsidiaries exceeding the debt levels.
3. In March Council raised \$30m of five-year Medium Term Notes at 85 bps over the swap rate. These funds were used to refinance a maturing loan from Christchurch City Holdings Limited.

DEBTORS

4. At 31 March the debtor balance stood at \$3.9 million, \$5.4 million below that reported in January. \$3.7 million is due to a reduction in SAP debtors; the January balance was high due to \$3.1 million of invoicing to NZTA. The balance relates to building consent fees. Building consent fees not due were understated by \$1.7 million which led to total debtors being overstated by the same amount. The total debtors position is a significant improvement over that of the last two years. This is a combination of the low invoicing in March and an improvement in the levels of overdue debt.
5. As at 31 March the overdue debtors totalled \$341,658, or 8.8% of total debt. The January figures were \$479,703 and 5.1%. A detailed report will be tabled at the meeting.
6. Information was previously requested on the effectiveness of the Courts in collecting outstanding fines. This information shows that 87% of the debt lodged with the Court, (infringement plus cost) is paid or otherwise accounted for. 72% is by way of cash received and the balance is through alternative sentencing. Over the seven years to March 2010 \$23 million was lodged with the Court for collection, and the balance outstanding is \$3.5 million.



7. A copy of the draft Bad Debt Write-off Policy is attached as Appendix 2. This is a Management Policy, (as opposed to a Council Policy) and is based on the general principle that Council will collect all amounts owing from debtors regardless of the type or amount of debt, the identity of the debtor, or the circumstances of the debtor. However, the Policy specifies that Council will not pursue bad debts when:
 - the debt is uncollectible (for example, where the debtor has been placed into receivership, insolvency, or been adjudged bankrupt)
 - the cost of collecting those debts exceeds the amount of the debt, or
 - the collection of that debt is likely to bring the Council into disrepute.
8. The procedures for the identification, write-off, and reporting reflect the Council's existing delegations and largely formalise those procedures currently followed by staff. Approval to write-off bad debt is delegated by Council jointly to the General Manager Corporate Services and the Corporate Services Support Manager. Note that debt write-off is an accounting adjustment and does not mean the debt is forgiven. Monitoring and reporting on bad and doubtful debt remains the responsibility of the Transactions Manager.
9. The draft Policy applies to all debt except infringements. Infringement debt is initially managed by the Parking Enforcement Administration and the Animal Control teams within the Inspections and Enforcement Unit. However, in accordance with legislation uncollected debts are ultimately passed by those teams to the Ministry of Justice for collection. Both the Parking and Animal Control teams write off debt raised by their Unit. Parking infringement debt is written off by senior staff when it qualifies under their procedures manual. Animal Control debt is written off by the Team Leader Animal Control when the consensus judgement of Animal Control officers is that write-off would best achieve desired 'good owner' behaviour. Write-offs by the Team Leader Animal Control is within delegation, however there is no delegation for the write-off of Parking infringement debt.
10. Library debt is included within the draft Policy, although it should be noted that library debts are maintained on the Unicorn information system and largely managed by Libraries and Information Unit. Only debts greater than \$50 are forwarded to the Rates and Debt Management team for collection. Other debts remain recorded within Unicorn, and although they are not actively pursued they do prevent new issues to that debtor.
11. The following issues are being considered as part of the review of the delegations policy:
 - (a) The current delegations allow the General Manager Corporate Services and the Corporate Services Manager, jointly, to write-off debt up to \$10,000.00. This limit was set in October 1996 and is being reviewed.
 - (b) A delegation does not currently exist for the write-off of Parking infringement debt. Parking Enforcement and Administration staff estimate the average value of each write-off to be \$200-\$300, with approximately 4,000-5,000 infringement notices written off each year. Given the small size of individual debts and the detailed procedures governing the write-off of infringement notices it seems unlikely that the Council would wish to retain the authority to write-off this debt. However, given the total amount of debt written off each year a delegation structure should be put in place.
 - (c) The current delegations allow the General Manager Corporate Services and the Corporate Services Manager, severally, to "institute proceedings in the Disputes Tribunal and the District Court to recover debts owing to the Council, and to make decisions in relation to the enforcement of judgments obtained (excluding bankruptcy and rating sales)". This delegation is silent on the issue of insolvency and placing companies into liquidation, and therefore the delegation should be reviewed.

FINANCIAL AND LEGAL CONSIDERATIONS

12. There are no financial or legal implications.

STAFF RECOMMENDATIONS

It is recommended that the report be received.