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Report to the Policy and Finance Sub Committee
from Greg Schollum, Chief Financial Officer

Finance and Administration: Operating Plans 2001-2010

1. Purpose

To provide a summary of the proposed Operating Plans within Finance and Administration.

2. Overview

The Finance and Administration budget includes the following departments:

- Finance
- IT and Support Services
- Chief Financial Officer

Finance 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 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 Regional Council Centre. WRC pays rental for the Regional Council Centre to its 100% owned subsidiary, Pringle House Ltd, and this rental is charged 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)

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

The following proposed Operating Plans accompany this Order Paper as separate documents:

- Finance
- IT and Support Services
- Chief Financial Officer

3. Key Issues/Areas of Focus

3.1 Provision of Financial Advice on Key Issues

The provision of financial analysis and advice to the General Manager, Councillors and Directors of Council's companies will remain a key area of focus for 2001/02 and beyond. Key issues going forward include:

- Water Integration
- Tranz Metro (potential purchase)

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.

During 2000/01 a customer satisfaction survey is being undertaken, the results of which will be followed up during 2001/02 and beyond.

3.3 **Enhancing value from the new Financial Information System (FIS)**

The Division implemented a new FIS solution(SAP) during 1999/2000 to assist managers to effectively manage their respective business operations.

A senior finance manager remains responsible for the FIS area to ensure that these systems continue to have integrity and are accessible to those who need them.

Although the FIS implementation has been very successful, when compared with other systems implementations, there remain some important aspects of the FIS project from a user perspective which need improvement. i.e.

- efficiency of purchasing process
- flexibility of reporting

These are seen as critical areas to further develop over the next 18 months.

- ***Purchasing***

The introduction of the SAP system saw the Council strengthen control over purchasing through a more rigorous approach to the use of purchase orders. Unfortunately this increased control has been at the expense of efficiency. In fact, the current purchasing process is seen a quite inefficient and hence the reason for the review of purchasing due for completion by 30 June 2001.

- ***Reporting***

Although the standard SAP reporting functionality is seen as adequate, it doesn't produce reports with the presentation quality that we would like. As a result we have negotiated the purchase of a report writer tool with a view to improving the quality of reporting available to the business.

3.4 **Strategic Direction of Records Section**

A pilot study is currently underway for the long term development of the records management systems in response to a concern that Council's record keeping practices may not be keeping pace with best practice in an increasingly on-line environment. (refer section 4.2)

3.5 **Completion of Developments in Treasury area**

The WRC is well advanced in its development of a robust Treasury framework including the maintenance of an external credit rating (Standard and Poor's). The Council's Treasury Management Policy was updated in November 1999 and the Treasury Management Group continues to operate effectively. However, further improvements are possible in the areas of cash forecasting and performance monitoring.

3.6 **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.

Future developments are desirable, particularly in the area of non financial reporting (primarily the linkage of outputs to outcomes).

3.7 **Monitoring of Council's investments**

The Council continues to hold a significant portfolio of investments. During the 1998/99 year the Council reaffirmed in respect of both its CentrePort and Forestry investments that it should be a "seller at the right price rather than a holder at all costs". The focus remains on risk reduction and on enhancing investment returns and shareholder value for as long as Council retains its ownership interest.

Monitoring of all of Council's investments remains a key role of the division.

3.8 **Water Integration**

The future of water integration, and in particular, the provision of support services to any new water entity is a critical issue for the division (and for the Council generally).

If the integration proposal proceeds the water group will leave the Council and become part of a new enlarged water services entity. If this occurs it is likely that the division will provide support services to the new external entity in addition to providing services to the existing internal customers (excluding water). Providing services to two sets of customers will create a unique set of challenges which is likely to increase the pressure on all staff within the division.

If the integration proposal does not proceed and the WCW contract is lost there will also be implications for the division.

4. **Changes from the numbers in the LTFS**

There have been two main changes to the Divisional budget figures (underpinning the corporate charges to Operating Divisions) between the 2000/01 and 2001/02 years:

- Payroll move to Employment Relations Department
- Inclusion of new information management project

4.1 **Payroll move to Employment Relations Department**

With effect from 1 July 2000 the Payroll section was moved from the Finance Department into the Employment Services Section (since renamed the Employment Relations Department). As a result, the Payroll function is now part of the Corporate Advisory Services Division rather than the Finance and Administration Division.

The change was primarily made to achieve better co-ordination between Payroll and Human Resources and although only having been effective for approximately seven months, it appears to have achieved that objective.

As a result of the move of the Payroll function the payroll budget has been moved from the Finance Department to the Employment Relations Department.

4.2 **Inclusion of new information management project**

This time last year I flagged in my report to the Sub-Committee that I was concerned that our records management practices were falling behind best practice. As a result, I indicated in my report last year (Report 00.8) that a review of records management had been instituted with a view to providing a platform for future developments in the area.

During the first half of the 2000/2001 financial year all departments across the Council were consulted on future requirements for improved record information management systems. In October 2000 all divisions agreed that we need to invest further in this area. As a result a pilot project has commenced in the Flood Protection departments with a view to confirming user requirements for a new Council wide system.

This project will implement software and systems that enable the systematic storage and retrieval of electronic documents. Electronic documents will then be able to be used as a reliable record along side the traditional paper records. A unified file classification scheme based on the existing paper records system will be introduced for all documents regardless of the storage media.

This operating plan includes \$700,000 capex to be spent in the 2001/02 year implementing this new system, the cost of which has been spread over 2001/02 and the following 4 years through an internal loan mechanism.

The inclusion of this project has resulted in increased corporate charges in 2001/02 and beyond [impact in 2001/02 \$95,000]. Such charges have already been incorporated into the operating plans of all Divisions.

5. **Financial Implications across Nine Years**

Expenditure within the division is relatively flat over the nine year period which is reflected in the corporate overhead allocations within the operating plans of each division.

The main exception is the increase in 2002/03 as the cost of the information management system increases from \$95,000 to \$274,000. This is due to the fact that the full impact of debt servicing is felt (in the first year only six months of interest charges and debt repayment is assumed) and the cost of hardware and software maintenance is also expected to be incurred once the new system has been implemented.

6. **Follow up of issues raised by the Sub Committee in February 2000**

During its consideration of the Finance and Admin Division business plan this time last year the Committee resolved that:

“officers report to the appropriate Committees in 12 months time on opportunities for the reduction of paper usage including realisable targets”.

While realisable targets have yet to be established the following initiatives are noted in respect of the Council’s future paper usage:

- All divisions are in the process of establishing Environmental Management Systems, which puts the spotlight on all resource usage, including paper.
- Most departments are now choosing to install photocopiers capable of printing on both sides of the paper.
- Ways of accessing more data on-line are being established. The first of these likely to come to fruition is providing access to Council agendas and reports on the Internet. This will allow the number of paper copies produced for the press, public and staff to be reduced (meeting attendees will still get paper copies). Technically this will be ready to go by the end of February 2001.
- Our external copying contractor has been asked to increase the range of paper offered to include recycled paper. (Note – recycled paper usually costs more than new paper). While this does not go directly towards reduced paper usage it is in the spirit of reduced resource usage.
- We are currently seeking proposals for a new paper supply contract that will also include the option of recycled paper.

7. 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.

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|----|------------------------------|---|
| 1. | Integrity | <ul style="list-style-type: none"> • Individual • Systems/information quality |
| 2. | People | <ul style="list-style-type: none"> • Job satisfaction for all staff • Having fun at work • Personal development of all staff |
| 3. | Net Ratepayer Benefit | <ul style="list-style-type: none"> • Value for money for ratepayers • Appropriate management of risk |
| 4. | Customer Satisfaction | <ul style="list-style-type: none"> • Delivering on promises • “Going the extra mile” |
| 5. | Practicality | <ul style="list-style-type: none"> • Making sure it works • Keeping it simple |

8 Recommendations

- (1) *That the report be received and the contents noted.*
- (2) *That the following proposed operating plans be approved in principle:*
 - *Finance*
 - *IT and Support Services*
 - *Chief Financial Officer*
- (3) *That the proposed operating plans for the above activities be recommended to the Policy and Finance Committee for inclusion in the Council’s proposed Long Term Financial Strategy 2000-2010:2001 Update (incorporating the Council’s 2001/02 Annual Plan).*

GREG SCHOLLUM
Chief Financial Officer