



caring about you & your environment

Report 02.32

31 January 2002

File: CFO/7/6/10

AE:Reports/Annual Plan/Reports to Council/2002-3

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

Finance and Administration: Operating Plans 2002-2010

1. Purpose

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

2. Overview

The Finance and Administration division includes the following departments:

- Finance
- 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 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 50% of staff numbers within the division) although during the year the budgeted headcount has been reduced by one FTE in the Support Services area.

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 100% owned companies will remain a key area of focus for 2002/03 and beyond. Key issues going forward include:

- Tranz Metro (potential purchase)
- CentrePort property developments

A prime focus of the CFO will be to provide advice that 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.

During 2000/01 an internal customer satisfaction survey was undertaken, the results of which were useful in helping to refocus in certain areas.

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

The Division implemented a new FIS solution(SAP) during 1999/2000.

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.

- roll out of resource costing (on line entry of time by employees)
- flexibility of reporting

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

FIS and Finance staff are currently involved in a process of upgrading Council's SAP system to a new version of the software. It is expected that this will be in place by 1 July 2002.

3.4 **Strategic Direction of Records Section**

During 2000/01 a pilot study was undertaken 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. A new system is in the process of being implemented which will see more integration between Council's paper based and electronic records. It is expected to continue to be a significant area of focus in 2002/03.

3.5 **Information Technology Developments**

The Information Technology department will continue to assist other departments to investigate, acquire and operate IT systems to support their operations.

Current projects, which are likely to continue in the 2002/03 year include:

- assisting the Corporate Advisory Services staff to develop an "E-Government" strategy,
- enhancing the Council's web site and Intranet
- working with GIS users to develop a plan to upgrade the Council's GIS capabilities,
- continued rationalisation of databases associated with environmental monitoring
- Investigating ways of improving remote access for staff not based in the main offices.

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

3.6 **Completion of Developments in the Treasury area**

Since 1991, the Council has operated an internal Treasury operation, whereby Treasury has provided internal Treasury services to customers in the areas of borrowing, investment and cash management.

The Local Government Amendment (No 3) Act 1996 provided renewed impetus for the Council to further enhance its established Treasury procedures.

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 last updated in November 1999 and the Treasury Management Group continues to operate effectively.

It is expected that during 2002/03 the Treasury Management Policy will need to be updated in accordance with the requirements of the new Local Government Act.

In addition, the Treasury Management Group will continue to look for ways to enhance the work of the Treasury function.

3.7 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 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.

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

3.8 Monitoring of Council's investments

The Council continues to hold a significant portfolio of investments. During the 1998/99 year the Council reaffirmed that in respect of both its CentrePort and Forestry investments 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.

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

Monitoring of all of Council's investments remains a key role of the division, particularly if Council is successful in securing a 50% ownership stake in Tranz Metro (Wellington).

3.9 Review of Purchasing Practices

During 2000/01 a review was conducted of Council's purchasing practices. The recommendations from that review are currently being implemented by a cross divisional team lead by the CFO.

It is expected that work will be ongoing in this area as we look to fine tune Council practices and procedures in the procurement of goods and services.

3.10 Implementation of the requirements of the new Local Government Act

The Local Government Bill which was recently released contains a number of new reporting and disclosure requirements on Local Government. These requirements, if approved by Parliament, are likely to add significantly to the costs of compliance.

4. Changes between 2001/02 and 2002/03 and changes from the numbers in the LTFS

There have been no significant changes to the budget figures between the 2001/02 and the 2002/03 years except in IT and Support Services department as a result of the new Records Management System. The new system, which was approved by the Council last year, was purchased in the 2001/02 year (as a capex item, loan funded). The 2001/02 year included only six months costs, including debt repayment, whereas the 2002/03 budget includes a full year of costs.

In terms of the 2002/03 year, compared with what was in the LTFS, the funding recovered by the division, by way of corporate overhead, has reduced by \$41,000 (i.e. compared with what was previously budgeted for the 2002/03 year).

5. Financial implications across the next eight years

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

6. 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. | 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 |

7. 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 2000-2010:2002 Update (incorporating the Council's 2002/03 Annual Plan).*

GREG SCHOLLUM
Chief Financial Officer