



## REPORT

Subject: **Chair's Report**

To: Finance/Performance Committee

From: Andy Watson  
Chair – Finance/Performance Committee

Date: 24 November 2014

File: 3-CT-14-1

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Recently we have been faced with the revaluation of our assets and networks. I have tended to view this as a “book entry” function without considering the effect it has on our depreciation schedules. Some Councils have been able to successfully challenge their revaluations because of their loan/lending limits. This is work that I will need to spend some time familiarising myself with.

The Long Term Plan (LTP) and Annual Plan next year will be the first reports presented under the new Accounting Standards (we are in transition now) and the Finance Committee will need to familiarise themselves with these changed requirements.

Audit and Risk Committee – I have advised Craig O’Connell that he is our preferred Chair and we will look to start this committee early next year.

The Rural and Provincial meeting was extremely worthwhile and a number of issues raised will need to be reflected in future Council work. The Auditor made the comment that Territorial Authorities tend to look closely at Capex programmes and fail, in many cases, to look or ask questions about Opex. I think it would be fair to say that our Council has tended to be in this position.

The meetings next year will see presentations, for the first time for Council, of our draft LTP and proposed financial position, it will be exciting to see what impact our steering groups and roading have on those positions.

I asked our Finance and Business Support Group Manager for some notes for this month’s Finance meeting, these are attached below, for your information.

I look forward to next year and wish everybody a Merry Christmas.

### TABLED DOCUMENT

Tabled at Finance / Performance

On 27 November 2014

## **Financial Strategy and Setting Council Benchmarks**

In the Finance committee meeting we will get the opportunity to set our own benchmarks for the Council for the LTP. You will recall a couple of presentations from finance staff on these and while we are comfortable that we retain a conservative financial strategy in line with many rural NZ councils where we borrow limited amounts and then fund most depreciation. We sit on the lower end of the debt and funding of depreciation continuum we do need to discuss the benchmarks we want to adopt for council for the LTP.

For example in the last LTP the rates increase was limited to 10% overall, our proposal is to look at a measure like the Local Government Cost Index currently 2.5% for the 2015 year and add a %, say 2%, to that in line with other councils practice so that the total quantum of rates increase will be limited to a realistic amount rather than a generous 10%.

## **Rates Debtors in arrears**

Rates debtors who are in arrears are now being forwarded for follow up action to the MWLASS debt collection unit called Debt Management Central (DMC). They are replacing a RML a debt management company which costs on average about \$30K per annum. These debtors are handed over to DMC when we have exhausted the lower level but effective collection actions such as letters to mortgagees', calls from council staff as we try to work with those that are struggling to pay. At some point in the future Council may be faced with the decision to go to a rating sale.

## **Capital spend**

I note that we are 4 months into the year and have a capital spend of \$3.39M against a total budget of \$17.412M.

## **Overall**

Council remains in a sound financial position with the surplus running ahead of budget by some \$1.2m at \$3.13M. This is forecast to be \$1.2M at year end.

George McIrvine | Group Manager - Finance and Business Support |