

Report No:	RFN11-07-03
File No:	C780
Date:	28 June 2011
<b>Decision Required</b>	

## REPORT SUMMARY

**Report to:** Corporate Services Committee  
**Meeting Date:** 7 July 2011  
**Report Author:** Murray Staite, Corporate Services Manager  
**Subject:** **Financial reporting by Ward**

### EXECUTIVE SUMMARY

Staff have received a request to report on a ward-by-ward basis. The report lays out the difficulties of extending Council's reporting to include wards, and while noting that such reporting is possible, points out that considerable cost would be incurred for arguably very little benefit.

### RECOMMENDATION/S

The recommendation is that staff continue to adopt best practise in reporting to the community and decline the request to provide additional information by reporting on a ward-by-ward basis.

### DRAFT RESOLUTION

THAT the Corporate Services Committee:

- a) Receives Report RFN11-07-03 – Financial Reporting by Ward; and
- b) declines the request that financial information be prepared on a ward-by-ward basis.

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## 1. Purpose

- 1.1 To consider whether Council's financial statements should provide additional information to readers by reporting Council activities on a ward-by-ward basis.

## 2. Background

- 2.1 At various times over the last few years some readers of Council's financial information have called for Council to provide additional information by reporting Council activities on a ward-by-ward basis.

## 3. Present Situation/Matters to be Considered

- 3.1 A request to report council's activities on a ward by ward basis far exceeds the existing legal (Local Government Act 2002 Sch 10 Part 3, 15) and best practise requirements for local authorities.
- 3.2 Reporting on a ward by ward basis is possible but in considering such a request council needs to consider whether the value of this additional reporting outweighs the costs of providing that information.
- 3.3 The costs of this additional reporting would in the view of staff be considerable:
- Reporting on a ward-by-ward basis would require staff to completely rewrite Council's activity management plans, long term plans, annual reports and financial ledger to reflect an additional ward split. The rewrite of these plans would require a substantial amount of money to be put aside.
  - Council's job costing system which has been recently introduced allocates costs to activities and is unable to split costs by activity and then by ward.

- c) Considerable external programming assistance to make the necessary changes would be required with no guarantees that these programming changes could be effected.
- d) After the initial setup had been completed ongoing costs would continue and should not be underestimated.
- e) This work would affect all departments of Council. For example the simple task of coding each invoice would become much more complex as each invoice would be required to be allocated, not only to an activity but also to a ward.
- f) Additional internal auditing would be required to ensure that the ward split was accurate. Under the current activity split it is relatively easy to spot errors. It would be considerably more difficult to spot errors in ward allocation so additional internal auditing time would be required
- g) Arbitrary decisions would be required to allocate overheads and activities that provide services across council as a whole. Arbitrary decisions on allocations could become a source of discontentment for some members of the community with ongoing costs being incurred in addressing these issues.

#### **4. Financial/Budgetary Considerations**

- 4.1 Additional reporting whether by ward or some other mechanism comes at a considerable cost.
- 4.2 The way to reduce Council overhead costs in the finance area is to simplify and streamline Council reporting. Considerable work has been undertaken over the last few years to achieve this end.
- 4.3 While the additional cost has not been quantified (a time-consuming task in itself) the inclusion of reporting by wards will directly lead to a requirement for additional staff time in the preparation of activity management plans, annual reports and monthly reports with arguably no real benefit from the additional reporting.
- 4.4 With the increased complexity in Council's financial ledgers, additional audit time would be required, all of which comes at a cost.

## 5. Options

- 5.1 **Option 1** – Request staff to provide additional reporting to the community by reporting Council financials by ward as well as by activity.
- 5.2 **Option 2** – While acknowledging the concerns from some members of the community, decline to provide financial information by ward

## 6. Pros and Cons of Options

- 6.1 **Option 1** – This option would provide additional information to the community however in the view of staff the value of this information would be limited.

Option 1 comes at a considerable cost which would be an ongoing burden on the ratepayers of the district.

- 6.2 **Option 2** – This option ensures that Council continues to meet its legal requirements in relation to reporting while following sector best practise.

Those that believe this information is of value would be denied the information.

## 7. Significance

- 7.1 This is not a significant decision according to the Council's Significance Policy.

## 8. Recommendation

- 8.1 The recommendation is that staff continue to adopt best practise in reporting to the community and not provide additional information by reporting on a ward-by-ward basis.

<b>9. Draft Resolution</b>
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THAT the Corporate Services Committee:

- a) Receives Report RFN11-07-03 – Financial Reporting by Ward; and
- b) declines the request that financial information be prepared on a ward-by-ward basis.