

Douglas Shire Council Transfer Committee Minutes – Meeting Number 8 #3991167v9

Date	Monday 23 September 2013	Start Time 10.50am	Finish Time 11.00am	Location	Spence Street, Cairns
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Attendees: Cairns Regional Council - Kelly Reaston (A/CEO), and Douglas Shire Council - Jeff Tate (Transfer Manager)

Actions and Agreements

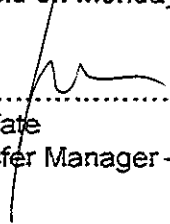
No	What	Who	When	Completed
1	<p>Opening of Meeting – Attendance and Apologies</p> <p><i>An apology was noted from Peter Tabulo who is on leave.</i></p>			
2	<p>Minutes of previous Transfer Committee Meeting</p> <p>Decision</p> <p>That the minutes of Transfer Committee meeting no 7 held on XX¹⁶ September 2013 be accepted.</p>			
3	<p>Matters for Information Only</p> <p>a) Progress of the Transfer Action plan to be discussed at the next Transfer Committee meeting and Cairns Regional Council to update list of issues developed.</p> <p>b) Letter from DLGCRR advising no further approval required to proceed with purchase of IT hardware, software and services for Douglas Shire Council be noted.</p>			
4	<p>Matters for decision</p> <p>a) FDDWG – Internal Audit Review</p> <p><i>That the Cairns Regional Council/Douglas Shire Transfer Committee note the observations of the high level review of the financial due diligence methodology conducted by Carolyn Eagle of Pacifica and note that these observations will be implemented by the FDDWG.</i></p> <p><i>Noted.</i></p> <p>b) FDDWG – Review of QTC Methodology</p> <p><i>That the Cairns Regional Council/Douglas Shire Transfer Committee approve refinements to the approach taken by the Queensland Treasury Corporation (QTC) to establish closing financial positions for CRC and Douglas Shire as at 30 June 2012, as detailed in Attachment B</i></p> <p><i>Approved</i></p>			

	<p>c) FDDWG – RFQ for Independent Review of Outcomes <i>That the Cairns Regional Council/Douglas Shire Transfer Committee note the issue of a Request for Tender (RFQ) to conduct an independent review of the outcomes of the FDDWG project.</i></p> <p><i>Noted</i></p> <p>d) FDDWG – Risk Assessment <i>That the Cairns Regional Council/Douglas Shire Transfer Committee note the risk assessment of the financial due diligence project developed by the Financial Due Diligence Working Group (FDDWG).</i></p> <p><i>Noted</i></p>		
5	Other Business <i>Nil</i>		
6	Next Meeting <i>The Transfer Committee will next meet on Monday 30 September 2013</i>		
7	Closure of meeting <i>11.00am</i>		

Signed as a true and correct copy of the minutes of the Transfer Committee meeting held on Monday 23rd September 2013.



 Kelly Reaston
 A/Chief Executive Officer – Cairns Regional Council



 Jeff Tate
 Transfer Manager – Douglas

FDDWG CIC "Opening Balance" Model High Level Review of Methodology, Assumptions and Source data		FDDWG Identified Shortfalls	FDDWG Revised Approach
CIC Model Line Item	CIC Assumption		
	Model is large and complex with limited documentation General approach is - using opening balances of 14 March 2008 for Douglas and CRC, establish the 4 year cash flows for each entity (using Receipts for operating flows and actual capex data for investing and financing flows) and determine the closing balances for each at 30 June 2012. Then compare with published financial statements of CRC	limited documentation	FDDWG to fully document using good practice workpapers
Cashflows from Operating Activities			
Receipts from customers	total revenue for each year allocated on proportion of 12113 first 6 months actual msa. (71%)	actual rate data for each entity for each of the 4 years is readily available and should be used. The approach does not accommodate non rate related specific revenues (eg) Dalriada ferry	attribute EAC2 year directly where possible, then using drivers then allocate remainder on proportion of total revenue bank.
Payments for materials & services	m & s for each year allocated on proportion of total m & s expenditure ex 12113 budget, being the weighted average of the spend % estimated for each function	ability to identify DIRECT expenditure limited, EIGHT functions provided detailed analysis of spend pattern, spend % for each function largely subjective	model developed to attribute directly where possible, then allocate on single cost driver then allocate balance on share of total cost "rolled up" to next highest level
Employee costs	allocated on 5 yr average of Douglas located headcount, based on 120 staff (0.5576/51.47%)	head count of 120 is current staff only, does not allow for impact of non direct eg corporate staff	do not separate msa and payroll, allocate at GL account level - see comments re "attribution" model (see above) RISK - w2 make reconciliation with CIC difficult
Interest received	apportioned on interest received in 2007/08 year (15%)	does not reflect the movement in cash between both Councils over the period.	average rates and charges to be allocated based on rates debtors split. If reconciliation is not available, then driver of rates income. Investments interest to be allocated on the opening cash balance. 1/12 to commence initially with the QTC 31/02/11 closing cash balance
Interest on loans	apportioned on interest paid in 2007/08 year (4%)	does not link new borrowings to specific assets.	Identify the capital projects from the prior year with new loan borrowings as the source of funds.
Cashflows from Investing			
Payments for property, plant & equipment	Attributed directly ex CRC Asset Schedule which identifies assets capitalised by physical location (excluding WIP) - see also Debt Allocation Tab on CIC model element	developed in EIGHT lifetimes, CRC source data spreadsheet is complete, CA process understood to be failed, CIC capex data for each cell is complete provided ex Tab 2 "Recent Additions" CA process unclear WIP excluded.	cannot CA and documentation is required to track movement of data ex 31/02/07 to CIC model. Should also check for any land transactions. A yearly split of the WIP balance is required. It is expected that all of the unclassified amounts will be directly allocated to Cairns or Douglas. If there is any difficulty in tracking the location of the projects, it will be brought back to FDDWG for discussion and agreement on the "best of".
Subsidies, donations and contributions for new capex	as for payments for property, plant & equipment above	as for payments for property, plant & equipment above	as for payments for property, plant & equipment above
Proceeds from sale of property, plant and equipment	as for payments for property, plant & equipment above	as for payments for property, plant & equipment above	as for payments for property, plant & equipment above
Unclassified payments for property, plant & equipment	allocation based on % split of identified subsidies, donations and contributions	should be based on proportion of identified P, P and E	should be minimal - to be based on proportion of P, P & E post Asset register reconciliation.
Unclassified subsidies, donations and contributions for new capex	allocation based on % split of identified subsidies, donations and contributions		should be minimal - to be based on proportion of P, P & E post Asset register reconciliation.
Proceeds from sale of property, plant and equipment	Allocation based on CRC Asset Schedule	see comments for P, P and E above	see comments for P, P and E above
Payments for intangible assets	Given immediately rest to "backlog" Cairns	see comments for P, P and E above	see comments for P, P and E above

