

Rockhampton Regional Council / Livingstone Shire Council De-amalgamation Agreement –Trade and Other Payables Management

Prepared by: Senior Project Accountant (Michael Clerc) and Operations Manager
Procurement and Logistics (Michael Worthington)

Approved by: Chief Executive Officer Rockhampton Regional Council (Evan Pardon)
and Transfer Manager Livingstone Shire Council Area (Graeme Kanofski)

Trade and Other Payables of Rockhampton Regional Council (RRC) as at 31 December 2013 will consist of de-amalgamation costs, other operational costs that are not de-amalgamation costs and capital works constructed or purchased.

It is important that RRC reduce Trade and Other Payables as at 31 December 2013 to a minimum and develop a system to make payables easily identifiable between the continuing Rockhampton Regional Council (CRRC) and the new Livingstone Shire Council (LSC) to facilitate a smooth transition between the two councils in relation to payables.

Following is the proposed processes for managing Trade & Other Payables during the transition period leading up to changeover day of 1 January 2014 and also after changeover day to enable the calculation of the respective councils' balance sheets for de-amalgamation as at 31 December 2013.

1. De-amalgamation Costs

De-amalgamation costs are the costs incurred in the establishment of the Livingstone Shire Council. Please note that costs for normal day to day operational activities of Council within the LSC geographical area either before or after changeover day are not de-amalgamation costs. De-amalgamation costs need to be charged to the relevant de-amalgamation job numbers established for that purpose. De-amalgamation expenditure is managed by Katie Mitchell and any requests for de-amalgamation expenditure should be referred to Katie in the first instance.

2. Capital Works

WIP/Capital works for the LSC area should be identifiable from the job number. The relevant job numbers will be obtained in advance by Procurement & Logistics from the respective Departments. Capital works orders for Civil Operations and FRW for the LSC area are already being created at the Yeppoon Store under the 'LYP' Location Code. This process will be expanded to other sections of Council over the coming weeks. This will allow the identification of LSC's WIP/Capital works by the 'LYP' prefix to the Purchase Order Number.

a) Invoices for WIP/Capital works to RRC that are received after 1 January 2014 that relate to goods delivered or services provided within the LSC boundaries up until 31 December 2013. The amount of these invoices will be a cost in the accounts of RRC and the CRRC will pay the invoice. This would form part of the proposed balance sheet adjustments as at 31 December 2013.

b) Invoices for WIP/Capital works to RRC received after 1 January 2014 that relate to goods delivered or services provided within the LSC boundaries from 1 January 2014 onwards. (CRRC has received the invoice as the order was raised under RRC letterhead prior to 31 December 2013) The amount of these invoices will be a cost of LSC and in the normal course, LSC would pay the invoice. However, to simplify matters for suppliers, CRRC will pay the invoice and then invoice LSC for reimbursement. **This arrangement will continue until 28 February 2014.**

3. Operational Expenditure (Not de-amalgamation costs)

N.B. - Operational expenditure for LSC is goods delivered or services provided in relation to the operational activities of LSC after changeover day of 1 January 2014.

a) Invoices for operational expenditure to RRC received after 1 January 2014 that relate to goods delivered or services provided within the LSC boundaries up until 31 December 2013. The amount of these invoices will be a cost in the accounts of RRC and CRRC will pay the invoice. This would form part of the proposed balance sheet adjustments as at 31 December 2013.

b) Invoices for operational expenditure to RRC received after 1 January 2014 that relate to goods delivered or services provided within the LSC boundaries from 1 January 2014 onwards. (CRRC has received the invoice as the order was raised under RRC letterhead prior to 31 December 2013) The amount of these invoices will be a cost of LSC and in the normal course, LSC would pay the invoice. However, to simplify matters for suppliers, CRRC will pay the invoice and then invoice LSC for reimbursement. **This arrangement will continue until 28 February 2014.**

Process for ordering goods or services (that are not de-amalgamation costs) for the Livingstone Shire Council prior to 1 January 2014:

In the lead up to 31 December 2013, it is preferred that staff should only order goods or services for operating activities within the LSC boundaries if the goods or services are scheduled to be delivered by 31 December 2013. (Goods or services delivered by 31 December 2013 will be a cost of RRC) This will assist minimise the number of outstanding purchase orders in RRC's Finance One system that would need to be monitored and / or transferred to LSC's Finance One system post 1 January 2014.

Prior to 31 December 2013 purchase orders for operational expenditure to be incurred by LSC after changeover day of 1 January 2014 should only be raised if the goods or services need to be ordered in advance to enable LSC to function properly in its early existence (for example, goods or services from suppliers that will close over the Christmas break and won't reopen early in January 2014).

If the ordering of the goods/services can be deferred until after 31 December 2013 (the goods/service has a short delivery time) then do not place the order/s and wait until after 31 December 2013. The order can then be raised within LSC's Finance One system from 1 January 2014.

If the order must be placed by 31 December 2013, then using the process below the Yeppoon Store will place the order using a new prefix (LSC) to the purchase order number.

1. Requesting Officer recognises they need to order goods and services before 31 December 2013; however the goods and services will not be delivered to LSC until after 31 December 2013.
2. Requesting Officer will complete a 'LSC Operational Expenditure Request Form' and send this to the Transfer Manager (or delegate – LSC Directors) for approval.
3. Transfer Manager (or delegate – LSC Directors) will assess expenditure request, approve/deny the request and return the expenditure request form to Yeppoon Store (if approved) and the Requesting Officer.
4. Yeppoon Store will raise the PO using the 'LSC' prefix and place the order with the supplier. (Yeppoon Stores Officers will initially allocate the cost to 'Clearing' account/s to be established for this purpose by Financial Services in RRC's F1 system. The clearing account is where the expense will be recorded and then later cleared by revenue in RRC's F1 system following the subsequent on-charging to LSC)
5. The supplier will deliver goods or services to LSC post 1 January 2014.
6. When the goods are received they will be delivered to Yeppoon Store. Services will be delivered and notified to the Yeppoon Store. Yeppoon Store will forward a receipt notification (email) to CRRC's store at Dooley Street for receipting of the goods or service into CRRC's Finance One system. Stock items are not to be receipted into stock by CRRC stores but will be treated as a non-stock delivery.
7. Accounts Payable at CRRC will identify invoices relating to the LSC orders, pay the invoices and then raise a debtor's request to on-charge LSC for the respective goods and services.
8. CRRC Debtors will forward a CRRC debtors invoice with the related suppliers' invoices attached to LSC's Yeppoon Store for processing. Yeppoon Store would receipt any stock items into LSC's Finance One.
9. LSC AP will process payment to CRRC.
10. CRRC will receipt payment from LSC.

Notes:

Dooley Street store will manage the 'LSC' purchase orders in CRRC's Finance One system until they are cleared from CRRC's Finance One system. Yeppoon Store can create new purchase orders in LSC's Finance One system from January 2014 onwards to replace the 'LSC' purchase orders in CRRC's Finance One system after liaising with the supplier and CRRC Dooley Street. **It is planned to finalise this process by 28 February 2014.**

From 1 January 2014:

- All expenditure for LSC geographical area must be raised from LSC's Finance One System
- All expenditure for CRRC geographical area must be raised from CRRC's Finance One System.

Michael Clerc
Senior Project Accountant

Michael Worthington
Operations Manager Procurement and Logistics

Approved by:

Evan Pardon
Chief Executive Officer
Rockhampton Regional Council

Graeme Kanofski
Transfer Manager
Livingstone Shire Council Area