

FMWP News

The SOLGM Financial Management Working Party (FMWP) met on 27 October. Here are some of the key items of interest.

BERL Indicators Updated

BERL have recently updated the price adjustors to 2016/17. These are now available on the FMWP page of Good Practice Toolkits website (www.solgm.co.nz). For a direct link to the BERL report click [here](#).

The adjustors have also been refined to include three new sub-level adjustors for those wishing to go to a lower level of detail: pipeline costs, earthmoving costs and private sector labour costs.

Countdown Seminars

The FMWP approved the programme for the Countdown to 2009 Seminars which will be held:

- 20 November, **Rotorua**, Royal Lakeside Novotel, Tutanekai Street (Lake end);
- 27 November, **Christchurch**, Chateau on the Park, Cnr Deans and Kilmarnock Street.

These seminars will provide feedback from the recent SOLGM survey of local government managers experiences of the 2006 LTCCP round and the Local Government Act in general. The seminar will:

- identify the key challenges for the development of 2009 LTCCPs;
- inform the development of SOLGM and other sector responses to the upcoming review of local government legislation;
- identify items where additional good practice work should be undertaken in preparation for 2009;
- discuss LTCCP amendments.

Registration forms can be obtained from the Business School section of the SOLGM website (www.solgm.org.nz).

LTCCP Feedback “Mostly Positive”

Our thanks to those who took the time to complete questionnaires as part of the recent survey of local government managers’ experiences with the 2006 LTCCP round.

Results indicate that respondents were mostly positive. Most believe the results of their 2006 process were “completely successful” or “mostly successful”. Only one local authority CEO indicated they considered their process “unsuccessful”.

Key areas of focus for comment on the legislation were:

- *Community Outcomes* – many noted that there was a large degree of heterogeneity in the results of the process (one respondent commented that these were variants of “healthy, wealthy and wise”). Other comments tended to suggest the final results were very predictable and around 2 out of every three respondents suggested the results had little impact on the 2006 process.
- *Audit Process* – the single largest area of comment. Between 70 and 80 percent (depending on the occupational group) found the audit process was “very useful” or “moderately useful”). It was interesting to note a significant number of respondents saw “a clear audit” as one of the key measures of a successful LTCCP.
- *Section 102 policies* – concerns have been raised as to the necessity for all of these policies (in particular the policy on private-public partnerships came in for most criticism), and whether mandatory inclusion in the LTCCP was necessary.
- *Schedule 10 disclosures* – the general concern here was that the mandatory disclosures in clause 2 are very detailed and not easily understood by many readers. Many suggested this schedule could be simplified, although there were few specific suggestions for doing this.

Further information will be available at the Countdown seminars and in the next edition of “Pulse”.

Rating Inquiry Announced

On 1 November the Minister of Local Government announced the terms of reference and membership for the Government Inquiry into rates. This has been constituted as a Commission of Inquiry under the Chairmanship of Mr David Shand (a financial analyst with previous experience at the IMF, World Bank, and a former Wellington City councillor). The other members of the Commission include Mr Graeme Horsley (a valuer) and Dr Christine Cheyne (an academic with substantial research interests in local government).

The Commission is required to report by 31 July 2007. The Commission will take public submissions “on an open basis” and has been asked to allow three months for that process. The timing for submissions has yet to be announced.

The objective of the Inquiry is to consider issues relating to current local government rating, and to other revenue raising mechanisms, and provide recommendations to the Government for enhancing rating and other funding mechanisms for local authorities.

The Inquiry has been specifically asked to:

- (a) examine the level of rates increases and trends in the use of rating tools nationally to fund services, as well as other sources of revenue currently available to local authorities;
- (b) consider the Phase One and Two reports of the Local Authority Funding Project, their recommendations and implications for the future of rates;
- (c) develop an understanding of the drivers for local authority expenditure, including growth, the age and state of infrastructure (e.g. public transport, roading, water and wastewater), requirements for higher standards (e.g. water quality) and other infrastructural demands on both capital and operating expenditure needs;
- (d) examine the sustainability of rates as the major revenue raising tool, having regard to affordability issues for communities, groups within communities, and individuals, particularly those on fixed incomes;
- (e) examine the impact of rates on land covered by the Te Ture Whenua Maori Act 1993;
- (f) examine the impact of the new Rates Rebate Scheme (and other government assistance packages for families) and local authority rates remission and postponement policies;
- (g) examine the impact and ongoing need for existing exemptions from liability for rates, including Crown exemptions from liability for rates; and
- (h) provide a report by 31 July 2007 on (a)-(g) above along with recommendations to enhance rating and funding mechanisms for local authorities.

The terms of reference expressly exclude the purpose, autonomy and structure of local government; and “the principles of democracy, transparency, equity and accountability that local government operates under” from the scope of the Inquiry.

Accounting Issues Subcommittee Formed

The FMWP has established a sub-committee to monitor the development of accounting standards and technical accounting issues and assist the FMWP in responding to these issues as they arise. Our thanks to David Yates (Dunedin), Graeme Trevathan (New Plymouth) and Murray Staite (Tasman) for agreeing to take up roles on this subcommittee. Can anybody else interested in assisting in this area please contact Raymond Horan rhoran@solgm.org.nz.

Watch Out For ...

1. Guidance from the FMWP regarding amendments to the LTCCP covering the sorts of things that are amendments and some tips for doing amendments. This will be on the Good Practice Toolkits (www.solgm.co.nz) website in early December.
2. The Ministry of Economic Development has released a discussion document *Review of Securities Offerings* which discusses, among other things, the signature and liability requirements for investment statements, and required content of these documents. Submissions are open on this document, and remain open until 1 December. Copies of the document are available on the Ministry website www.med.govt.nz.
3. The programme and registration forms for the 2007 SOLGM Rating seminar which will be on the www.solgm.org.nz website in December.
4. An Office of the Auditor-General (OAG) Report on rates postponement – likely to be tabled in the new year. This report discusses the OAG expectations regarding the adoption and content of rates postponement policies, and their operation.