

# S O L G M

NZ SOCIETY OF LOCAL GOVERNMENT MANAGERS



## FMWP News

The Financial Management Working Party met on 9 May. The items of interest were.

### Interest and Development Contributions

FMWP noted recent discussion on the listserve regarding the inclusion of interest costs within development contributions (where local authorities have borrowed to undertake growth related capital works).

We understand some councils have been contemplating this as a potential policy change, and that some are already charging in this way.

Although FMWP considers that there is a good policy case for charging in this way, comment on the listserve has suggested to us that there is *prima facie* an argument that charging in this way may not be lawful. We are aware that the Property Council and interests closely associated with Neil Construction (yes, *that* Neil Construction) have been making this argument in some recent Annual Plan submissions.

As a first step FMWP has agreed to commission specialist accounting and legal advice on the issue. We hope to have this advice ready by the end of May. We will circulate this advice on the listserve when it is available.

If the advice confirms doubts about the legality of using development contributions to recoup interest, we will need to consider what further action to take. Any of the potential courses of action have risks (e.g a law change would remove doubts, but given current concerns about housing affordability there is no guarantee a change would make this lawful, and attempting to do so exposes those local authorities who already charge in this way).

Obviously it would be desirable to keep any doubts about the legality of charging in this way 'in house' until we have a clearer picture of the legal position, and of the steps we will be taking to resolve the issue (should that be necessary). If you have received submissions on this issue in your annual plan a suggested response is:

*"Thank you for your submission. Under the Local Government Act 2002 Council may require a development contribution from a developer for, or towards, the capital expenditure of the reserve, network infrastructure, or community infrastructure for which the contribution was or is required. Council believes that in recovering in full the costs of capital for growth related capital projects through its*

*Development Contributions Policy it is acting within the powers granted to territorial authorities under the LGA 2002. Council notes the issues associated with the capitalisation of interest in development contributions and is seeking clarification on this matter in conjunction with the Local Government sector as a whole. If necessary the Council will review its Development Contributions Policy in light of this clarification.”*

For further information on this issue contact Raymond on 04-978-1283 or email Blair Bowcott at Hamilton City.

## **FMWP - The Year Ahead**

Subject to the approval of the SOLGM Executive, FMWP has the following projects on its work programme for the coming year:

- a guide to development contributions under the Local Government Act (this is likely to be the biggest single project for the year)
- a cluster of projects coming out of recommendations in the Shand Inquiry – guidance on working with valuers, fee and price setting guidelines, a good practice guide to reporting rates
- an update of the LGNZ publication “Principles and Guidelines for Local Authority Revenue Systems” (those with longer memories would know this as the Green Book)
- the 2008 Rating Seminar and 2009 Financial Management Seminar.
- an update of the BERL indicators – we are asking BERL to produce provisional and final estimates to help those whose budget processes begin earlier. We aim to have provisional estimates in August and final estimates at the usual first week of October.

If you believe that you have the skills and knowledge to contribute to one or more of these, and you want to get some ‘sector good’ work onto the c.v. then get in touch with Raymond on [rhoran@solgm.org.nz](mailto:rhoran@solgm.org.nz).

## **Financial Management Seminar**

We noted the very successful Seminar held on 28/29 April (despite the intervention of the weather gods). Of the 52 evaluation forms received, 51 rated the seminar as providing ‘good’ value for money or better, and have found the learning ‘useful’ to their role.

We’ve had requests from people who were not at the seminars for copies of ‘the papers’. Our policy for the three good practice seminars (this one, Community Plan and Rating) is that out of fairness to those who paid to attend, presenter’s slides (and papers on the rate occasions that people write them) will be made available on the websites 90 days after the event. Occasionally some presenters, particularly those where there may be commercial interests, ask that their slides not be stored in this way. In other words, attendance at the seminars is the best way of accessing the information in the most timely fashion – although often the presentation material on its own is only a fraction of what is delivered.

## LTCCP Summaries

*Telling Our Stories* – the 2009 and Beyond Guide to LTCCP Summaries has started pre-publication and will be launched at the SOLGM 2008 Communications Forum on 12 June. A link to the electronic version will be emailed on the morning of June 16. In addition to the guide itself – the webpage will have the winning summary and the finalists from the 2006-16 LTCCP Summary Competition.

## Rating Inquiry

We received a report on the progress of the Rating Inquiry. In the next month a suite of five Cabinet papers will be working its way through the Cabinet process. The Government is still giving thought to when and how to make announcements of the decisions it has made.

The following represents the Government's only public statement to date, it comes from December's Half Yearly Economic and Fiscal Update.

*“The Government is considering its response to the recommendations of the Independent inquiry into Local Government Rates which were reported in August 2007. The potential impact on the operating balance and/or gross debt is unknown at this stage, as it would depend on the nature and scope of any measures that are subsequently pursued.*

*Many of the Rates Inquiry's recommendations require local government action.*

*Central government can offer support in some areas, but the sector needs to take responsibility*

*The government will review regulatory settings around user charging and rating powers to ensure councils can make effective use of the tools*

*There is no case for generalised central government assistance for local authorities – but the Government will consider optimising its investment in local government through further targeted assistance in the Budget round.*

*Rates exemptions will not be removed in the short term – but the Government will review them to ensure the Crown is making a fair contribution as a member of local communities, and*

*The Crown will keep a watching brief on the affordability of rates and consider making some further adjustments to the Rates Rebate Scheme. ”*

All indications are that:

- some changes to the Rates Rebate Scheme are being contemplated, we believe some may be announced in the budget
- any additional assistance for infrastructure will be targeted in nature, and not of the scale envisaged in the Shand Report. In other words, the sector as a whole should not expect significant alleviation of funding pressures out of this process

- the Government will place heavy emphasis on good practice with particular focus on improving LTCCPs.

### **Get Those Charities Registered ...**

Changes to tax law mean that from 1 July, those agencies that wish to claim the tax advantages of charitable status need to be registered with the Charities Commission. This will effect some of your CCOs and Cos. If you haven't already taken steps to do so get those registrations in fast.

Further information can be found on [www.charities.govt.nz](http://www.charities.govt.nz) .

### **Watch Out For**

1. OAG will be placing a copy of the auditor's methodology on [www.oag.govt.nz](http://www.oag.govt.nz) within the next month. When this available we will notify the usual list serves.
2. The programme for the Community Plan Conference – which should be hitting the website in the first week of June. This year's Conference at the Holiday Inn, Christchurch on **August 11/12**.
3. Subject to demand we are also planning to hold 'LTCCP 101: An introduction to the LTCCP' on the afternoon of **10 August** (yes this is a Sunday). This is aimed at those who are new to the LTCCP, or those who need to 'brush-up' on particular aspects of long-term planning. Expressions of interest should be sent to Raymond by 30 May (we will be making a go/no go decision in the first week of June).