

# SOLGM

NZ SOCIETY OF LOCAL GOVERNMENT MANAGERS



## **FMWP News 1 September 2008**

The SOLGM Financial Management Working Party met on the 8<sup>th</sup> of August. Here are some of the items of interest.

### **BERL Price Adjustors Released**

We released the provisional 2009-19 BERL price adjustors on 15 August. You can access these by clicking [here](#).

BERL will finalise these in October, and have also committed to review the adjustors in the light of any developments in energy prices early next year.

These are national level adjustors, BERL consider that there is insufficient data to allow for preparation of robust sub-national adjustors. The adjustors are not intended to be 'gospel', if you have robust and systematic evidence that local conditions are different, you may wish to rely on that for your forecasting.

### **Government Response to the Shand Inquiry**

The Minister has written to all local authorities setting out the decisions the Government has made to date. We understand there are three papers yet to be approved by Cabinet – rating tools, volumetric charging for water/wastewater, and exemptions. SOLGM staff are increasingly concerned that these may not go through before the 2008 General Election.

The decisions made to date place heavy reliance on enhancements to the present planning, financial governance and management. The Government has decided not to pursue recommendations for alternative/supplementary sources to rates (although increased funding for urban arterials is still 'live'). We are developing a short explanation of what has happened for local authorities to use with the community before and during the LTCCP process. We aim to release this in the next month.

### **Local Government Commission Reports**

The Commission has now released its full report on the section 32 inquiry into the Local Government Act 2002 and Local Electoral Act 2001. You can access the summary [here](#) and the full report [here](#).

The main changes with financial management implications lie in the removal of some funding and financial policies (Maori freehold land and partnerships with the private sector) and changes to some of the section 97 and 102 triggers for amendment.

The Commission has made a large number of recommendations for good practice work. Many of these have already been progressed or are 'works in progress'. Others are more appropriately picked up by Local Government New Zealand.

Two recommendations that SOLGM is giving further thought to are for good practice in financial forecasting and good practice in significance policies. Most local authorities are now well into their 2009-19 LTCCPs, thus we consider it is 'too late' for guidance this time around. We will be considering these for inclusion in the 2009/10 work programme, most probably as part of the post 2009 LTCCP revision of the LTCCP guidance.

### **Accounting Standards**

Our thanks to the two councils that commented on their experiences with FRS 42 (prospective financial information). Both submitters and the members of FMWP felt that they had experienced few issues with the standard itself. FMWP resolved to take no further action.

FMWP also discussed sector representation during the standards development process. This is an ongoing discussion but one conclusion was that the sector should seek representation on the Accounting Standards Review Board. We will be developing a list of appropriately qualified candidates for forwarding to the Minister of Commerce.

### **Greenbook Update**

In September FMWP will be releasing an exposure draft of a revision to the 1993 LGNZ publication *Principles and Guidelines for the Development of Local Authority Revenue Systems*. This publication provides a revision of the guidance on revenue and financing policies and the section 101(3) process, as well as a survey of the current case law. The second half of the publication provides a commentary on the rating, pricing and funding tools available to local government – their merits and disadvantages and some thoughts on when they work well.

We intend to release this in exposure draft form on **17 September**, comments will be due on **31 October**.

### **Reporting Rates Increases**

The Shand Inquiry recommended that:

*“local government, in consultation with other stakeholders, produce a template as a good practice guide so that the amount of rates and annual increases can be better reported and even compared between councils. The template would set out; total rates and individual components (including CCO charges) and the real*

*change in rates (i.e. adjusted for inflation); the average rate in total and by ward; and relative amounts borne by residential, business and rural ratepayers and how this has changed.”*

The Executive has asked FMWP to develop a template that is:

- fair, unbiased, and as difficult to manipulate as possible
- applicable to all local authorities
- capable of being understood by the public at large (especially the media).

The team working on this includes David Foster, Blair Bowcott, David Paris, John Maclaren, Helen Sellwood and Norman Jones.

As with the Green Book we intend to issue an exposure draft before the end of the year, and finalise so that those who wish to use the template in draft and final LTCCPs may do so.

### **Presentations from the 2008 Financial Management Seminar Published**

Presentations from this year's Financial Management seminar have now been published on the Good Practice website. One presenter asked that his presentation be withheld from web publication. They can be accessed by clicking [here](#)

### **2008 SOLGM Rating Seminars**

And finally a reminder that SOLGM is running two identical rating seminars in Christchurch and Wellington in the latter part of September. Registrations are still open so go to [www.solgm.org.nz](http://www.solgm.org.nz).