



## Financial Working Party News - March 2016

SOLGM's Financial Working Party met on the afternoon of 8 March, following the conclusion of the Strategic Finance Forum. In this edition:

- review of guidance on financial and infrastructure strategies underway
- Finance Forum sells out
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- do you need to consult on your fee-setting?
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- obituary: Graeme Trevathan.

### Review of Guidance on Financial and Infrastructure Strategies Underway

Following the completion of its review of financial and infrastructure strategies SOLGM has commenced reviewing the existing guidance on these. The revamped guide will be available in October, shortly before commencement of the Road to 2018 LTP training.

SOLGM tabled a draft of the six core principles for the review of its LTP guidance. These are

1. **Long-term planning needs an outward focus:** a successful long-term plan must be grounded in an understanding of the demographic, economic, environmental and social factors that shape the world around it. Long-term planning is not done in a vacuum.
2. **Long-term planning means long-term:** the horizon for a long-term plan is the useful life of assets, as opposed to the triennial cycle or even the legislative timeframe of ten years.
3. **Long-term plans tell one coherent story:** a long-term plan should tell a single overall story, each part of the story should line-up in a way that supports and amplifies the other parts of this story. A long-term plan should explain the 'why' as well as the 'what'.
4. **Long-term planning is grounded in the present:** planning must proceed from a detailed understanding of the present, including the financials and fundamentals such as asset condition and performance. Planning is never done from a zero base.

5. ***Long-term planning must itself be planned:*** successful long-term planning requires careful sequencing of determining future intentions, and producing information that sets out the consequences, and engaging with the community. Plan your plan.
6. ***Long-term plans are living documents:*** a long-term plan serves as a basis for ongoing monitoring and action. Long-term plans are not meant to sit on shelves!

## **Finance Forum Sells Out**

Almost 120 people attended the SOLGM Strategic Finance Forum on 7/8 March, the level of interest was such that the 'sold out' sign went up for only the fifth time in SOLGM's 27 years.

The key theme for the Finance Forum this year was Finance as a Business Insight Activity. With the finance function becoming increasingly higher profile and more strategic its more important and ever that we invest in the right systems, develop the right processes and develop and retain our talent. By-in from the Chief Executive is critical in making the change from a score-keeper to a trusted advisor, as is the level of knowledge we have of 'the business'.

Early feedback suggests that the Forum has attracted its usual high ratings. We have noted feedback that April may be better for busy finance managers!

## **Retentions under construction contracts – be aware**

The 2014 amendments to the Construction Contracts Act appear to require that local authorities that are principals to construction contracts over a certain amount (the amount is yet to be determined) hold contract retentions in cash or liquid assets.

We will be contacting MBIE to note that local authorities do not go bankrupt, and that local authorities are broadly speaking in the same risk category as the Crown. We note that the same argument cannot be made of CCOs.

In the meantime, we advise those local authorities with large volumes of retention obligations to consider how your local authority might handle the need to retain sufficient cash/liquid assets to meet any requirements.

## **Do you need to consult on your fee-setting?**

We understand that somewhere between 15 and 20 local authorities have decided not to consult on their 2016/7 annual plans. We've been reminded of an issue that

may mean you need to consult. Fixing or setting charges under s36 of the RMA requires consultation under the special consultative procedures, as does fixing charges under the Food Act.

Those consulting on annual plans can (with some forethought) consult concurrently. Those who aren't consulting on annual plans should check that they have arrangements in place to consult on any fee-setting (where necessary).

### **New Members appointed to the Accounting Committee**

We appointed the following to our Accounting Committee:

- Rhannon Kelsey, New Plymouth District Council
- Christine Begbie, Auckland Council and
- Brendan Murphy, Wellington City Council.

Following the resignation of Pam Bicknell (see below) we have appointed Leanne Macdonald, Chief Financial Officer at Horizons Regional Council as chair of the committee. All appointments are with immediate effect.

### **Exposure Draft: Service Performance**

The External Reporting Board has released an exposure draft of a standard on reporting service performance. FWP and Planning Working Party will look at this from the standpoint of relationships between the standard, the requirements of local government legislation and the information necessary to run the shop.

Those interested can find it at

[https://www.xrb.govt.nz/Site/Accounting\\_Standards/Exposure\\_Drafts/SPR\\_ED\\_2016-6.aspx](https://www.xrb.govt.nz/Site/Accounting_Standards/Exposure_Drafts/SPR_ED_2016-6.aspx)

Submissions close on 29 July.

### **Resignations**

We noted the resignations of two of our members in recent weeks. Pam Bicknell is leaving the sector in April to take up a position in the education sector. Richard Briggs remains Chief Executive of Hamilton City, we hope his expertise and pragmatism will not be completely lost to us.

SOLGM is currently reviewing the structure of its working parties. SOLGM's Chief Executive is therefore holding off on the filling vacancies until after the Executive has considered its future needs.

## **Managing CCOs and Alternatives Forum**

The delivery of services through CCOs has potential risks, including financial failure and inability to meet council expectations. The political environment and ever-changing legislation adds to the challenges. This training addresses the importance of understanding how CCOs and local authorities can work together and achieve an integrated strategic direction. The programme will contain a mix of theoretical sessions and case studies drawn from a range of local authorities and CCOs. These will showcase innovative council initiatives around managing and monitoring CCOs. There will also be opportunities to network with colleagues from around the country.

This two day training is organised into three themes that recognise the complexities of CCOs:

- **The Fundamentals** - when to set up a CCO, who to appoint, changes in legislation and taxation.
- **Monitoring and Evaluating CCOs** - Statement of Intents, reporting performance, policy on appointing directors of CCOs and how best to evaluate and influence CCOs.
- **Alternatives** – joint ventures and joint committees.

Registrations are open – you can register at:

[https://www.solgm.org.nz/Attachment?Action=Download&Attachment\\_id=798](https://www.solgm.org.nz/Attachment?Action=Download&Attachment_id=798)

## **Obituary: Graeme Trevathan**

It was with sadness that we noted the sudden passing of Graeme Trevathan in January. Graeme was a former member of our Accounting Committee and a SOLGM member of longstanding. Graeme's local government career took him to several local authorities, most recently New Plymouth District Council. Graeme was a mainstay of many SOLGM events in the finance and rating areas. We remember him for his eye for detail and his passion in advocating for simpler financial reporting. Our condolences to his family, friends and former colleagues.