

Table 1:

SOLGM recommendation	SOLGM's rationale for the recommendation	Support SOLGM's recommendation?	Comments from the Manawatū District Council (MDC)
Taxation of Vacant Land			
<p>That the Commission agree that the Government should monitor overseas experience for evidence of the effectiveness of taxation of vacant land.</p>	<p>The Minister of Finance asked the Commission to consider the merits of a tax on vacant land (as a mechanism to improve the supply of land for housing).</p> <p>Jurisdictions overseas where this type of tax is used tend to have broad definitions of vacant land that go wider than land that is undeveloped (including extending this to housing that is a second home and/or unoccupied for a set portion of the year).</p> <p>A tax on vacant land is only likely to influence where there is a significant land banking and the tax is set punitively high.</p>	<p>Yes</p>	<p>There appear to be limitations in this particular tool. More research and consideration is needed before such a tool is used here.</p>
<p>That the Commission note SOLGM's conclusion that local authorities could theoretically set a differential rate on vacant land, but that such an approach would face significant administrative and legal issues.</p>	<p>Under present legislation local authorities are obliged to rate on the factors and matters that apply to a rating unit at 1 July. Only those properties vacant at 30 June would be liable for the tax under present law. There are administrative difficulties in identifying vacant properties at 30 June and the degree to which this could be 'gamed' make the transactions cost prohibitive.</p>	<p>Yes</p>	<p>Agree with the administrative and legal issues identified by SOLGM.</p>

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	Councils would also struggle to justify differential rates at the level necessary to provide incentives to develop under the Local Government Act. It would take some heroic assumptions under s1010(3)(1)(b) (the wellbeing clause) to be able to justify this.		
Funding by Value of Building Work Put in Place			
That the Commission note SOLGM's support for a central government administered fund based on the value of building work put in place.	Supports the fund in principle. Question where the funding would come from. The incentive effects would depend on the level of the fund and the means for distribution.	Yes, in part	The Manawatū District Council would prefer that funding was paid directly to local authorities rather than being subject to another application process
That the Commission recommend that the value of building work put in place be used as the allocation mechanism for such a fund. Stability and certainty should be promoted by using three to five year rolling averages.	The value of building work put in place is the best available measure as there are already official stats collected and a robust and defensible methodology. The collection of such data should not require extensive redevelopment of methodologies.  The level of funding should be based on a moving average value over the medium term (3 to 5 years) to provide some degree of stability in funding.	Yes	

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<p>That the Commission clarify whether its intent is that all territorial authorities receive a portion of this fund, or that funding would be by application.</p>	<p>If value alone is the allocation mechanism, current stats suggest that more than half of the fund would be allocated to two Councils while some smaller Councils might receive little or no funding at all.</p> <p>If the intent is that all TAs receive a portion then it could be viewed as a 'top up' for an existing fund such as that which NZTA distributes for road maintenance. If the fund is distributed to all TAs as of right this would be a departure from other Government initiatives to support the production of growth-related infrastructure.</p>	<p>Yes</p>	<p>Clarification is needed – refer to SOLGM comments on the source of the funding and whether the fund would be paid directly to Council's or be subject to an application process.</p>
<p>Funding Policy</p>			
<p>That the Commission supplement its discussion of the benefit principle with a discussion of the complexity of assessments of benefit and the mixed good nature of most infrastructure and services provided by local authorities.</p>	<p>Few services local government provides are wholly public or private goods. The assessment of benefit is subjective and a matter for policy judgement.</p>	<p>Yes</p>	
<p>That the Commission amend its recommendation 7.2 to include efficiency and transparency in</p>	<p>The commission raises the use of the tax status of a business as a rationale for constructing a differential. Previous advice</p>	<p>Yes</p>	

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the first step of its amended process.	from SOLGM is that the validity of this argument is open for debate. Local authorities are advised to engage robust legal and economic advice before attempting to construct a differential using these as arguments.		
<b>Rating Powers</b>			
That the Commission recommend no change to the suite of general rating powers.	<p>The Commission has recommended the abolition of differentials and the uniform annual general charge.</p> <p>These recommendations could create significant shifts in the incidence of rates. In particular, rates will shift away from the business sector and low value residential property to the farming sector and higher value residential property.</p> <p>The Commission has assumed that there is more scope for many local authorities to employ user charges, targeted rates etc.</p> <p>The UAGC and differentials are both tools to enable councils to adjust the incidence of rates to meet local needs and preferences.</p>	Yes	MDC would favour the retention of differentials and UAGR and therefore agrees with SOLGM's recommendation to retain the existing suite of rating powers.
<b>Development Contributions</b>			

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<p>That the Commission amend its recommendation 6.1 to invite SOLGM to develop guidance on the setting of development contributions in consultation with the Department of Internal Affairs and representatives from the development industry.</p>	<p>The Commission has recommended that LGNZ and SOLGM develop standardised development contributions policies and council assessments of DC charges for individual developments. The Commission is effectively suggesting that the templates have the status of a regulation.</p> <p>DC policies are complex. There is a trade-off between the simplicity of the policy approach, efficiency and transparency.</p> <p>SOLGM sees a role for itself in developing a good practice guide. However, they could not bind a local authority to follow it. There is a conflict of interest in having a sector body setting a de-facto regulation.</p>	<p>Yes</p>	<p>Guidance would be helpful but a requirement to conform with a particular template would not, as such an approach does not recognise the complexity of local situations and the needs of particular communities.</p>
<p>That the Commission note the four recommendations around development contributions in the SOLGM response to the issues paper and:</p> <ul style="list-style-type: none"> <li>• agree that the Crown should pay development contributions on all</li> </ul>	<p>Point 1 – it is unclear why the rest of the community should subsidise developments such as those undertaken by Kainga Ora Homes and Communities.</p> <p>Point 2 – the provision of infrastructure on land that the local authority does not own is becoming an increasingly common way of providing community infrastructure in a cost-effective way. The last set of</p>	<p>Yes</p>	<p>Greater ability for Council to recover development contributions reduces the burden on existing ratepayers.</p>

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<p>developments it undertakes.</p> <ul style="list-style-type: none"> <li>agree that local authorities be able to recover development contributions assessed for community infrastructure on land that is not owned or controlled by the local authority.</li> </ul>	<p>amendments to the LGA should have addressed this but the issue was deferred.</p>		
<p>That the Commission amend its report to include a recommendation supporting the restoration of financial contributions under the Resource Management Act.</p>	<p>Government announced its intention to restore financial contributions in an upcoming Resource Law Amendment Bill. 9 months on nothing has happened.</p>	<p>Yes</p>	
<p>Other Funding Tools</p>			
<p>That the Commission amend its report to include recommendations specifically supporting the extension of value-capture tools, road-pricing and the addition of</p>	<p>The Commissions finding (6.7) that value capture, congestion charges and volumetric wastewater charges would give Councils additional means to recover costs of growth without burdening existing residents echoes its conclusions from its "Using Land for Housing" report. However, in Using Land for</p>	<p>Yes, in part</p>	<p>Happy for these tools to be introduced but they are of no use to the Manawatū District Council.</p>

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<p>volumetric charging for wastewater to local authorities</p>	<p>Housing the Commission recommended the introduction of road-pricing (including on existing roads).</p> <p>SOLGM supports these tools but would prefer the recommendation to introduce 24/7 road pricing to one that covers only congestion charging.</p> <p>Local authorities cannot levy any tax or charge on the incremental value alone.</p> <p>For wastewater charging to be used effectively a local authority would need to enter into service agreements with each new customer. The transaction costs of such an approach make it impractical other than at scale.</p>		
Forestry Roads			
<p>That the Commission amend its report to include a recommendation that supports increased financial assistance for roads that support high forestry volumes.</p>	<p>SOLGM earlier identified the impacts of forestry on the road network as a significant cost driver in provincial and rural local authorities.</p> <p>SOLGM notes that finding 4.14 has not been supported with a recommendation. SOLGM has suggested this recommendation to fill that gap.</p>	<p>Yes</p>	<p>There was large scale forest establishment in the Manawatū District in the 1990's. Peak logging is predicted between 2024 and 2029. The size and remote locations of some major forest lots will require road maintenance and harvest regimes that maintain both public use and harvest sustainability.</p>

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			<p>Logging traffic is expected to cause pavement damage and adversely affect Customer Levels of Service performance measures for safety, accessibility, efficiency, amenity and travel time reliability. This will place pressure on rural road maintenance schedules.</p> <p>Forestry harvest was listed as one of the key roading infrastructure issues over the life of the Infrastructure Strategy 2018-2048.</p> <p>Road maintenance programmes in the Long Term Plan 2018-28 anticipate the potential effects of forestry clearance and include measures to reduce these effects.</p>
Climate Change			
<p>That the Commission amend its report to recommend that the data and science centre role and the funder role be assigned to the Climate Change Commission.</p>	<p>SOLGM supports the priority given to climate change. Supports the need to establish two centres of excellence (one for data and climate science and one for policy, planning, risk management, legal issues and engagement) and a third to administer the fund for the adaptation of wastewater and stormwater assets.</p>	<p>Yes</p>	<p>Concerned that the creation of new agencies may duplicate reporting requirements for Council. Clear roles are needed to avoid duplication in reporting requirements.</p>



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	<p>The multiplicity of new agencies may create some duplication or overlap in role. The first and third roles could be given to an existing organisation such as NIWA, or to the Climate Change Commission.</p>		
<p>That the baseline resourcing for the Commission be increased to allow it to undertake these two additional roles without risk of distraction to its roles preparing risk assessment and advising the Government on climate change matters.</p>	<p>Concern about the new roles distracting focus of the Climate Change Commission from its functions in undertaking risk assessments and advising central government.</p>	<p>Yes</p>	<p>Adequate resourcing is critical.</p>
<p>That the Commission define the criteria or procedures that will be used in assessing the merits of defensive options vis-à-vis other options for managing the risks climate change poses to infrastructure.</p>	<p>Council assets are going to need a greater level of resilience built into them. Funding should reward approaches that are both flexible and anticipatory. There should be recognition that anticipatory is not always possible.</p> <p>Defending existing assets should only be funded where that option is superior to other options by a significant margin.</p>	<p>Yes</p>	<p>This would be helpful for Councils when evaluating options and applying for funding.</p>

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That the Commission include drinking water assets within the scope of the proposed Climate Change Resilience Fund.	SOLGM questions why drinking water assets have been excluded from the coverage of the proposed Climate Change Resilience Fund.	Yes	Climate Change will impact on the provision of drinking water assets as well as other Council infrastructure.
Price Change			
That the Commission note SOLGM will consider more frequent rebasing of the adjustors and Local Government Cost Index.	SOLGM will consider the case for a more frequent rebasing of the adjustors and cost index to the three years that Statistics New Zealand use with indices such as the CPI. It is SOLGM's understanding that three years is regarded as 'best practice.'	Yes	
That the Commission note that the common sector practice is to remove inflation from the LTP budgets before starting an annual plan round.	<p>The preparation of most of the financial information in local authority plans and reports from 2015 are governed by the New Zealand Public Benefit Entity (PBE) standards. The PBE standards are prepared by the External Reporting Board and are generally modelled on practice and standards developed by the International Public Sector Accounting Standards Board.</p> <p>That standard requires local authorities and other public sector bodies to prepare prospective financial information on the basis of the best information and</p>	Yes	This is common practice and the way that the Manawatū District Council does its budget. Inflation that was assumed in the Long Term Plan is removed, the budget is adjusted as required and the new inflation rate is then applied, relevant to that period.

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	<p>assumptions available at the time of preparation.</p> <p>SOLGM notes the Commission's comments that rates are commonly set by adjusting last year's budget by the forecast LGCI with an additional adjustment for growth. It is common practice to set the rates and debt limits disclosed in the financial strategies in this way. Although practice varies amongst local authorities it would generally be wrong to think that allowing for price change in the 'out-years' of an LTP means that level of budget is guaranteed come annual-plan time.</p>		
<b>Asset Management</b>			
<p>That the Commission recommend that local authorities be legally required to prepare asset management plans, with the content of an asset management plans being specified in regulations rather than legislation.</p>	<p>Making the preparation of Asset Management Plans a legal necessity will encourage more effective asset management practice</p>	<p>Yes</p>	<p>Our Council already prepares Asset Management Plans and Activity Management Plans so if this was made a legal requirement this would have little impact on us. If the content of Asset Management Plans was specified in regulations this would help ensure consistency.</p>
<p>That the Commission recommend that sector</p>	<p>A more universal understanding of asset management concepts such as the asset</p>	<p>Yes</p>	

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organisations prioritise the development or redevelopment of resources in asset management concepts for elected members, and enhanced guidance on prioritising investment in asset condition and performance information.	lifecycle and stronger guidance on where the priorities for asset management should lie would be beneficial.		
That the Commission recommend that sector organisations develop a robust, scalable and user-friendly methodology or methodologies for capital business cases.	Business case methodologies vary greatly between local authorities in their degree of rigour. The sector could benefit from a methodology that is robust, common, scalable and use-friendly.	Yes	We use the "Better Business Case" methodology. Any changes are unlikely to affect the Manawatū District Council.
That the Commission not accord proposals to introduce a capital charge further priority.	<p>The rationale for a capital charge is that this reflects the opportunity cost of the funding for a particular investment decision of holding of assets.</p> <p>It is not clear how a capital charging regime would operate in local government – presumably as some form of internal charging.</p>	Yes	

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	The priority should be on better training in the area of capital budgeting/business case methodologies.		
Long Term Plans			
That the Commission abandon work on changing the frequency of long term plans to five years.	<p>Reducing the frequency of long term plans does not offer any clear or compelling "efficiency gain" while resulting in a loss of accountability.</p> <ul style="list-style-type: none"> <li>- Reduced frequency means the degradation of institutional knowledge and systems (staff leave, things are forgotten etc)</li> <li>- Greater shelf life mean that more amendments are made between LTPs.</li> <li>- Does not sit well with the triennial election cycle – over a ten year period there would be one or two elected councils that would be bound by the decisions of the previous council unless they adopt an LTP amendment that overwrites the whole plan.</li> </ul>	No	The Manawatū District Council's submission on the Inquiry Report recommended four or five year terms for local government elections and long term plan reviews. Having both election and Long Term Plan timeframes extended would help to overcome some of the timing issues that would arise from a triennial election cycle and a five year Long Term Plan.

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	<ul style="list-style-type: none"> <li>- Savings from doing fewer LTPs are likely to be reduced by a greater frequency of LTP amendments.</li> </ul>		
That the Commission note SOLGM's recommendations to the 2012 Efficiency Taskforce regarding the content of LTPs.	Concur with the Commission's recommendation that the LGA be reviewed to clarify and streamline the content of LTPs to reduce duplication, ease compliance costs and make them more accessible documents.	Yes	Any amendments to the content requirements that help to streamline the Long Term Plan and reduce duplication should be supported.
Performance Reporting			
That the Commission recommend that the current set of mandatory measures of non-financial performance be repealed.	<p>The current set of measures do not meet their intended purpose under s261B of the LGA. They don't provide a complete picture of the levels of service associated with Council activities. Some measures incentivise activity for activity's sake.</p> <p>Concerns are shared by the Sector and other agencies (such as the Office of the Auditor-General).</p>	Yes	Attempts through the last Long Term Plan to make the measures more customer-focussed were rejected by audit as we must use the wording in the Department of Internal Affairs mandatory measures.
That the Commission note SOLGM is currently redeveloping its guidance on the setting of levels of service,	The sector should be encouraged to select a few relevant, customer-focussed measures.	Yes	See comments above regarding mandatory measures.

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performance measures and targets.			
That the Commission recommend the complete repeal of the Local Government Financial Reporting and Prudence Regulations 2014.	<p>There is no linkage to any measures of service or service improvement (i.e. they are financial indicators only).</p> <p>The 'rates affordability' and 'debt affordability' benchmarks are self-determined (the limits are set in the Council's own financial strategy).</p> <p>The inclusions and exclusions from some may not be readily understandable to many of the general public.</p>	Yes	Yes – we get no feedback from the public or elected members on the usefulness of these at all, which suggests the measures have no use
<b>The Future Role of Audit</b>			
That the audit mandate for consultation documents and long-term plans be simplified by removing the requirement for the auditor to attest to the documents 'fitness for purpose'.	Audit more readily achieves parliament's intended purpose when they focus on the quality of the underpinning information and assumptions. Auditors are less qualified to attest to the engagement and communication aspects of an Long Term Plan.	Yes	
That the requirements for consultation documents be amended to require local	Councils should not be required to include options that do not truly exist. Legislation should only refer to those options that are	Yes	

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<p>authority's presentation of major matters to disclose only the reasonably practicable principal options as determined by the local authority on reasonable grounds.</p>	<p>reasonable practicable in the local authority's judgement.</p>		
<p><b>Audit and Risk Committees</b></p>			
<p>That the importance of the risk and assurance function be incorporated into the principles set out in section 14 of the Local Government Act 2002.</p>	<p>Support the principle of independence within the governance of audit and risk functions. However, legislation should not go as far as to dictate elements of council committee structures and who can or cannot be a member of a committee.</p> <p>The legislation could elevate the importance of risk and assurance to one of the fundamental operating principles as set out in s14 of the Act. Risk and assurance could be incorporated into the principles of governance set out in s39 of the LGA but SOLGMs suggestion is that risk and assurance goes beyond governance and therefore should be incorporated into s14.</p>	<p>Yes, in part</p>	<p>The Manawatū District Council supports an independent but not as head/chair of the Audit and Risk Committee.</p>
<p>That Equip be encouraged to enhance its offerings around risk and assurance for local</p>	<p>This is seen as an intervention that may help to develop necessary skills in this space. This</p>	<p>Yes</p>	



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government (especially elected members).	will enable risk and assurance skills to grow 'from within.'		
Hardship			
That the Commission recommend that LGNZ and SOLGM develop a national template of a rates postponement policy for extreme hardship.	<p>SOLGM supports retaining a rates rebate scheme. A first principles review should focus on better targeting the scheme and improving its administration.</p> <p>SOLGM is not opposed to a national rates postponement scheme in principle, but notes it appears similar to the home equity release schemes available in the private sector.</p> <p>A first step might be to promote a common policy approach in local authorities, perhaps based on those of the former members of the consortium.</p>	Yes	