FUNDING AND ACTIVITY REVIEW WORKING PARTY: AMENDED TERMS OF REFERENCE

1. Purpose of Report

The terms of reference for the Funding and Activity Review Working Party have been updated so that its work may continue. The revised terms of reference are presented for adoption.

2. Recommendations

That the Committee:

1. *Receive the information.*

2. *Agree to recommend to Council that it approve the updated terms of reference for the Funding and Activity Review Working Party (attached as appendix one).*

3. Background

A working party was established in October 2005 to guide the review of the Revenue and Financing Policy and to provide a strategic overview to officers as they undertake the activity reviews.

The working party met approximately ten times between October 2005 and February 2006. It issued its report on the draft Revenue and Financing Policy to the Strategy and Policy Committee in March. That report formed the basis of the policy in the Long Term Council Community Plan that has now been adopted.

Throughout the exercise the working party identified Revenue and Financing Policy related issues that warranted further exploration. These matters were placed on a forward work programme (see section 3.2 below). This report seeks an extension to the working party's terms of reference to allow for these matters to be considered.

At the time that the current terms of reference were prepared it was not anticipated that the funding policy work would continue. The proposed continuation of the working party is considered by officers to be an effective way to ensure the work is progressed.

The terms of reference have also been updated to reflect year two and three of the activity reviews. The overall purpose in the current terms of reference only relate to year one. The intention was always for the working party to have an overview of activity reviews for each year.

The updated terms of reference are outlined in appendix one.

3.1   Evaluation of the working party

The Council establishes working parties from time-to-time. These are commonly convened where operational or technical decisions are strengthened by the input of a governance perspective. They are informal bodies that recommend matters to committee – they have no decision-making powers.

Working parties have been used effectively by Council as they:
- are a way of working efficiently through detailed and complex matters
- are informal fora that allow for matters to be reviewed in greater detail than the formal committee environment may practicably allow
- allow for the early identification of areas that require further work
- ensure that the committee's work is focussed.

The Funding and Activity Review Working Party is considered by officers to have been an effective way of working through the complexities of the Revenue and Financing Policy. It also provided a useful sounding board for officers to test their findings and assumptions as they worked through the activity reviews. The forum remains an effective way to work through the items on the forward work programme.

3.2   Forward work programme

The areas for further review include:

1.   Revenue and Financing Policy:
- review of funding options as they relate to the water network
- review of funding options as they relate to the sewerage network (particular as they apply to the commercial sector)
- the appropriateness of applying annual uniform general charges
- the appropriateness of creating a differential rating category for land used for wind farms (and the review of rating category options for utilities generally)
- review of the allocation of interest and financing costs
- consideration of depreciation funding principles and allocation of funding of renewal capital projects
- the application of targeted rates for capital funding
- the ongoing review of areas of non-compliance with current policy (current and forecasts).

2.   Strategic overview of year two and three of the activity reviews and of asset management plans.

3.3   Membership

It is not proposed that the membership of the working party be altered. Continuity of the membership would allow the members to draw on the background knowledge that they possess from the work that was completed over the past few months. Nevertheless the decision on membership rests with the Council.

The current members of the working party are:

Cr Shaw (Chair)
Cr Armstrong
Cr Foster
Cr Wade-Brown.

4. Conclusion

As a result of the ongoing work relating to the Revenue and Financing Policy, the activity reviews and the requirement to review summary asset management plans, officers are recommending the extension of the working party.   The revised terms of reference are attached as appendix one.

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Supporting Information
1)Strategic Fit / Strategic Outcome *The extension of the working party will ensure the Council's Revenue and Financing Policy continues to be an effective input to the financial strategies of the organisation.*
2) LTCCP/Annual Plan reference and long term financial impact *As (1) above.*
3) Treaty of Waitangi considerations *Not applicable.*
4) Decision-Making *The working party has no decision-making authority. It is required to report to the Strategy and Policy committee.*
5) Consultation **a)General Consultation** *The Chair of the working party and the portfolio spokesperson for governance were consulted during the preparation of this report.* **b) Consultation with Maori** *Not applicable.*
6) Legal Implications *There are no legal implications – the Council is free to establish working parties as it see fit.*
7) Consistency with existing policy *The extension of the working party is consistent with current practice. The Council's practice is to establish working parties from time-to-time. These are commonly convened where operational or technical decisions are strengthened by the input of a governance perspective. They are informal bodies that recommend matters to committee – they have no decision-making powers.*