

Session 1 - Foundation Concepts

- What governments aim to do, and the implications of this objective
- Opportunity costs and ways to allocate scarce resources
- Cost and demand concepts and their representation
- Private and social surplus
- Externalities and public goods
- Principles of optimal taxation

Session 2 - The Operational Environment

- Guided discussion on the implications of the Local Government Act
- How are Long Term Council Community Plan requirements being met?
- Promoting the 4 well beings: role of local government in economic development
- What problems are being experienced with 10 year horizons?
- Local Government (Rating) Act

Session 3 - Infrastructure Investment

- Advantages and disadvantages of building ahead of demand
- How to balance these effects in making investment decisions
- Decision support tools
 - o Discounted cash flow models
 - o Social cost-benefit analysis
 - o Real options analysis
- Deciding between projects of different types

Session 4 - Capital Charging

- Public and private approaches to defining the cost of capital
- Social rate of time preference & social opportunity cost of capital
- CAPM and WACC
- What is a local authority's cost of equity and debt?
- 9 Economic vs accounting approaches to depreciation
- Depreciation and the cost of capital
- 9 Funding depreciation

Session 5 - Cost Allocation

- Why cost allocation matters for local government
- Sharing costs vs sharing benefits
- Useful summary measures: the Shapley value
- Using incremental cost analysis
- Setting development levies
 - o Implications of different asset valuation methods
- Pricing policies including user charges

Session 6 - Building a Funding Policy Model

- Context and motivation for building a policy model
- Guiding principles
- Funding mechanisms available
- Identifying beneficiaries and ability to pay
- Bringing it all together
- Examining the model's outputs
- Using the model to test hypotheses

Session 7 - Efficient Contracting

- Procurement as regulation
- Sequencing issues including network connectivity
- Risk sharing and management
- Designing an incentive compatible contract

Session 8 - Structured Review Session

- Vertical analysis of local government roles
- Horizontal boundary issues within and between regions
- Implications for funding and investment policies
- Questions and Answers

Course Outcome

At the end of the course, participant will have a strong working understanding of the issues involved in Local Government Funding and Investment

Presented By:

Dr John Small and Colleagues

John Small BSc BA PhD (Cant.)

John Small's main speciality is in network economics, particularly regulatory and investment issues. He has advised many government and corporate clients on policy and commercial issues in the electricity, telecommunications, water, gas and transport sectors. John has also been affiliated with universities for the last decade and is currently Head of Economics at The University of Auckland.

Aaron Schiff

Aaron Schiff has a Bachelors degree and Masters degree with first class honours in economics from the University of Auckland. Aaron has several years of experience consulting for a range of industries and his areas of expertise include network economics, economic theory and modelling, forecasting, and game theory.

Tim Denne

Tim Denne has many years experience in economic analysis as an input to policy and government decision-making. His work has included cost-benefit and financial analysis, economic regulation, price forecasting, project evaluation, regulatory analysis and contract design. He has taught economics for policy making to senior government officials in the European Commission and the UK. He has worked in both central and local government in New Zealand. Tim has a PhD from the University of London.