

WELLBEING, FINANCES AND RED TAPE

Wellbeing

In New Zealand, central Government decides the framework for local government through laws and regulations and policy influences. There have been a number of significant changes since the Labour Coalition Government took office in 2017, in particular on affordable housing, regional development, transport initiatives, and community well-being.

There is nothing new in the legal requirement for local bodies to promote community wellbeing although the community debate that councils should 'stick to their knitting' (aka core services) seems to be everlasting.

The landmark 1974 Local Government Act provided that councils 'may undertake, promote and encourage the development of such services and facilities as it considers necessary in order to maintain and promote the general well-being of the public and may promote or assist in promoting cooperation in and coordination of welfare activities in the district' - Section 598 (1).

- Hamilton City Council was recognised nationally with their 1974 Comprehensive Development Plan which set out guidelines and evidence for the future (including a 'rounded city of neighbourhoods' including Peacocke growth cell).

The 1989 local government reforms took the same community well-being stance with Section 37K.

- Hamilton City Council was recognised internationally with their 1996 'people-driven' 10-Year-Plan developed through consultation with 3,500 locals and based on community well-being and sustainability.

In 2002 the Government again required councils to pro-actively pursue the four well-beings (economic, social, cultural and environmental) and integrate them into council decision-making and reporting (Section 266).

The 2009 Royal Commission on Auckland Governance noted that 'place-shaping' was a widely accepted role for local government internationally, with councils involved in social issues such as housing, health and employment promotion through land use planning and services such as transport, culture, sport and recreation.

In 2012, the National Coalition Government (with the Act Party) amended the local government focus to 'core services' - loosely defined as including roads and footpaths, rubbish collection, water supply and sanitation, as well as cultural and sporting facilities. The Labour Coalition Government reversed this in 2019 with the Community Well-being Act.

Rating system

So much has been said over so many years about the state of Hamilton City Council finances, it is hard for citizens to know who or what to believe. As well, there are varying views on the best formula for rates – in accordance with legislative requirements for efficiency and effectiveness, transparency and accountability.

There are a number of reports on local government financing including the 2007 Shand Inquiry Report, David Shand's 2019 AUT update, and the most recent 2019 Productivity Commission's Report.

There are also a range of legal provisions, including the Rating Act, which give councils flexibility in the rating system they adopt (including differentials, targeted rates, and uniform annual charges) plus policies on user fees and charges. Councils are required to plan balanced budgets, and to manage their finances to give certainty and predictability. But no limits are set in the legislative stones.

Generally, the popular formula argued is an ancient one - that any form of coercive taxation should be transparent and easily understandable to those who must pay. That includes rates as a 'property tax', whether based on land value or 'land and buildings'.

The principal argument favouring Capital Value (CV) ahead of Land Value (LV) is that owners are more likely to comprehend the former as the likely value if they sold. There is ongoing debate in favour of a simple CV system across all property, with no differentials based on usage or zoning, based on the view that property prices reflect market conditions. There are exemptions for charitable organisations and the Crown.

Rating Record

Hamilton was the last NZ city to move to Capital Value rating (by Mayor Julie Hardaker's council) despite several attempts by earlier councils since the 1990s. The current CV system is being phased in and includes targeted rates (eg Hamilton Gardens) as well as complex differentials for non-residential properties which change from year to year.

In 2011 the council was threatened with the sack by government, after an Audit NZ Review highlighted council expenditure on V8 supercar races, governance structures and reporting processes. In the 2011-2012 Annual Plan, the incoming council approved a rate increase of 8% and budget cuts, noting they faced 'significant financial challenges with falling income through a reduction in building and land development' (\$23million anticipated, dropped to \$6.6m)

Council's 2015-16 Annual Report recorded 'another excellent year... finances in great shape ... met target for balancing the books for the third consecutive year and delivered operating adjusted surplus of nearly \$13 million'. This 'good news' was repeated in the 2016 Pre-election Report by the CEO.

In the 2017-2018 Annual Plan the council admitted that the forecast of a break-even operating budget included development contributions, and 'a significant deficit' was forecast using the Government's balanced budget measure – that is, the money collected to run the city won't cover the costs. They warned of 'tough calls in the year ahead about what it will take to be financially sustainable over the next decade and how we measure that'.

The 2018 10 Year Plan included a rate increase of 9.7%, noted the council was currently borrowing to pay for everyday costs, with plans to balance the books from 2021/22. The \$180m interest free loan from government would increase debt to revenue to 230%. The following year's 2019-2020 Annual Plan was signed-off without opportunity for public submissions. The 2019 Pre-election report highlighted council expectations from city growth.

There are community concerns that councillors and their constituents should have a better understanding of their rating system and financial projections, and impacts on residents and ratepayers, particularly with uncertain economic conditions ahead.

There is also doubt about the robustness of advice given to the council, and whether there has been proper evaluation of city development options, resilience, and sustainability in accordance with their legislative responsibilities relating to well-being.

[A decade after the Shand Inquiry, the Finance Minister has ...](https://www.interest.co.nz/news/decade-after-shand-inquiry-finance-mi...)
<https://www.interest.co.nz/news/decade-after-shand-inquiry-finance-mi...>

Jul 24, 2018 - A decade after the **Shand** Inquiry, the Finance Minister has asked the Productivity Commission to take another look at **local government** spending. ... to present the final **report** to the Government by November 30 next year.

[Local Government Role & Autonomy - The Policy Observatory](https://thepolicyobservatory.aut.ac.nz/data/assets/pdf_file/David-...)
https://thepolicyobservatory.aut.ac.nz/data/assets/pdf_file/David-...

David **Shand** ... **report** – including tables – full attribution must be given to the ... This paper is prompted by To enshrine and define **local government** once and for.

[Local Government funding - Productivity Commission](https://www.productivity.govt.nz/news/local-government-funding-not-...)
<https://www.productivity.govt.nz/news/local-government-funding-not-...>

Jul 4, 2019 - In releasing the draft **report**, Commission Chair, Murray Sherwin said “The current ... of a good funding and financing system for **local government**. ... It is the most substantial look at these issues since the 2007 **Shand report**.”

Red Tape

The RMA (Resource Management Act 1991) was a major reform designed to replace the bulk and location mentality of the 1974 Town and Country Planning Act and encourage local bodies (and developers) to consider environmental impacts and ‘sustainability’ - having regard for the future and community well-being.

Controversial in its day yet the landmark for enshrining sustainability into law, the RMA remains symptomatic of the inability (so far) to produce affordable urban settlements and protect the environment, despite the vast amounts of public fodder provided to produce District Plans (as well as a multitude of associated regulations and policies).

Hamilton’s District Plan review effort took a decade to finalise in 2017, has thousands of pages in 26 chapters plus 12 appendices, some say the true cost was more than \$5million, and most people who have some knowledge suggest the entire creature be humanely put down. Prescriptive and controlling, inconsistent, incohesive. It’s available on line. Nicely indexed.

The figure of \$80,000 - \$100,000 per section is developers’ public estimate of red tape costs, and there are many examples of processes and rules that are inconsistent, time-wasting, and costly, with variations and inconsistencies from district to district with cross-boundary challenges. It is said it takes a professional or two and thousands of dollars to pick through the red tape to get approval for a new front door knob (please note that is an exaggeration but only just). There is concern that the massive rule-book has not resulted in quality living (with priority given tar-seal rather than green space).

Although she signed off the reviewed plan, from the outset in 2010, lawyer and mayor Julie Hardaker emphasised the need to ‘slash red tape’, and Andrew King - elected mayor in 2016, still sings the same song. The in-house ‘REEP’ Red Tape Review - Regulatory Effectiveness and Efficiency Programme – has the stated aim ‘to make sure that Council’s regulatory functions are as effective, efficient, transparent and customer-focussed as possible’. The first changes proposed were announced in August 2019.

There is talk of central government intervention, with a model District Plan for implementation across the nation, and provision for site specific standards outside local body requirements.

[Red tape slashed at Hamilton City Council](#)

<https://www.hamilton.govt.nz/our-council/news/Pages/default.aspx?newsItem=4091>

Sep 9, 2015 - **Hamilton City Council** has been on a mission to reduce **red tape** ... This number may be reduced even more with further policies under **review**.

[Red tape review pitched at Hamilton City Council | Stuff.co.nz](#)

<https://www.stuff.co.nz/business/better.../red-tape-review-pitched-at-hamilton-city-counc...>

Dec 1, 2016 - Investors and developers will go elsewhere if it's frustrating to do business in **Hamilton**, Mayor Andrew King says. A **red tape review** of council ...

[Six months later, bureaucracy ties up Hamilton's red tape cull | Stuff.co ...](#)

<https://www.stuff.co.nz/business/.../six-months-no-progress-in-hamiltons-red-tape-cull>

Jun 2, 2017 - 'I was about to say hallelujah with that comment,' **Hamilton City Council** chief executive Richard Briggs said. The **red tape review** - formally ...

[Regulatory Effectiveness and Efficiency Programme \(REEP ...](#)

<https://www.hamilton.govt.nz/.../Regulatory-Effectiveness-and-Efficiency-Programme...>

Sep 12, 2017 - **Hamilton City Council** is working on a project to make sure that ... and Efficiency Programme (REEP) also known as the **Red Tape Review**. .

[Hamilton mayor's red tape review paused pending information | Stuff ...](#)

<https://www.stuff.co.nz/.../Hamilton-mayors-red-tape-review-paused-pending-informatio...>

Dec 14, 2017 - Hamilton Mayor Andrew King stood for office on making the council easier to deal with and ... **Red tape review** pitched at **Hamilton City Council**.

[Red tape review opens door for skyscrapers in Hamilton CBD ...](#)

<https://www.stuff.co.nz › national › red-tape-review-opens-door-for-skyscra...>

Aug 18, 2019 - Removing height restrictions in the central city would be a boon for retailers and ... **Red tape** review pitched at **Hamilton City Council**. The move ...

Finances and Community Well-Being

The HCC 2018 10-year plan forecasts ratepayer growth of 19% over the 10 years, an average rate increases of 60% and a net debt increase of 114%.

1. Is Fitches Credit Watch announced in May 2019 a concern? (OIA 19136)
2. Is population growth of **1.1%** per year considered a housing boom, and how does this result in the number of ratepayer growth of 19% over 10 years?
 - a. HCC reports promote significant growth in Hamilton at around 1.1% each year, yet the average rates are planned to rise from \$2,782 (2018) to \$4,200 (2028). Submissions to Council objected to this rate of increase, no alternatives were presented by Council and the majority of elected members approved the plan.
3. Is HCC staff wage increase of 44% over 10 years considered reasonable when compare with CPI?
 - a. In the same period HCC staff wages are planned to increase by 44%, yet the average household will be fortunate if they receive a 22% increase over the same period. Those on fixed income of around \$25k will be lucky to see 11% increase.
4. Is the average rate rise from \$2,782 (2018) to \$4,436 (2028) affordable?
 - a. HCC forecast the rebate scheme to grow from \$242K to \$384K (54%) increasing the level of destitution.

5. Is the sale of assets a valid approach to reducing debt when they incur losses of over \$60million, selling assets that provide a good commercial return and overall debt is not significantly reduced, as reported in the HCC annual report?

(OIA18264,18280,19034,19056,19034,19038,19243,19265,19035,18265,19075,19038,19049,19086,19202,19238)

- a. The sales of assets have been the methodology for reducing debt over the past 6 years. Since 2010 the NET debt has not significantly changed \$338M (2010), \$427M (2011), \$385M (2012), \$397M (2014), \$383 (2015), \$348M (2016), \$362 (2017), \$370M (2018). However the asset sales have been completed by losing \$60M of ratepayer equity over the same period. Good returns from assets such as the BNZ building have been ignored.
6. Is it a concern when GROSS debt levels are forecasted to rise from \$429M (2018) to \$831M (2028) and interest payments rising from \$20M to \$48M for the same period, with an impending Global Financial Crisis?
- a. Debt levels are out of control with no ability for the community to choose which projects should proceed. GROSS Debt is planned to rise from \$429M (2018) to \$831M (2028) with an interest payment of \$48M.
- b. The risk approach to Debt does not take into account the Fitch and LGFA Credit Watch, nor the impending credit crunch resulting from another Global Financial Crisis.
7. Is it a concern when HCC Management approved unbudgeted projects of around \$1M when on credit watch?
- a. Senior Management are committing \$1M's to unapproved projects such as the Claudelands bridge dual access reconfiguration, walk bridge over the Waikato river, Green dashes on the roads throughout Hamilton and no doubt more projects that the community is not aware.
- b. The Council Finance Committee Chair reports that raise concern over Councils ability to control costs with the statement "We do not have a revenue problem, we have a spending problem". These reports forecast another significant rate increase in order to 'balance the books'

Recommendations

- An independent review of HCC's rates setting, including residential, commercial and industrial differentials, and fixed charges in relation to affordability and compliance with legal wellbeing requirements
- An independent review of HCC's 'red tape' concerning housing development with recommendations to improve housing affordability and design to promote occupant well-being including greenspace connections given priority over sealed driveways.