

5.0 STRATEGIC OPERATING CONTEXT

HE RAUTAKI WHAKATUTUKI KAUPAPA



a wider
view

■ 5.0 STRATEGIC OPERATING CONTEXT

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■ 5.1 ISSUES AND DRIVERS

Council, like any business or organisation, is influenced by what is happening locally, nationally and internationally. Issues such as the recent global financial credit crisis (that expanded out of the United States financial sector and permeated into the global economy in the latter part of 2008), falling commodity prices, and predictions of decreases in the country's Gross Domestic Product (GDP) over the initial period of this 2009-19 LTCCP will have significant impacts throughout the New Zealand economy.

On the upside, the personal tax cuts introduced by central government on 1 October 2008 and 1 April 2009 (along with reductions in interest rates in the latter part of 2008) will assist in stimulating personal and business confidence throughout the country. The tax cuts planned for 1 April 2010 and 1 April 2011 have now been deferred (these are to be reassessed as part of the future budget processes).

As noted in Treasury's latest economic forecast¹:

"The world is undergoing its deepest downturn since World War II..."

The depth of the current global slowdown and the extent of its synchronisation across countries are unprecedented in the period since World War II. The economic performance of New Zealand's trading partners will play a crucial role in the performance of the New Zealand economy over the next few years. This outlook is highly uncertain, and will be partly dependent on the effectiveness of the numerous large-scale policy responses introduced by governments in response to the financial crisis. A number of the policies undertaken, at least on the current scale, are relatively untested and as such many governments find themselves in uncharted waters.

Uncertainty surrounds how long disruptions in financial markets will continue, as well as the ramifications for world growth. Although not independent, this is complicated by the fact that current adjustments in the world economy are occurring at a time when a number of countries, including New Zealand, have imbalances such as large current account deficits.

Recession expected to be deeper with recovery relatively gradual...

The New Zealand economy is forecast to continue contracting through to the September quarter of 2009, with positive, albeit weak, growth occurring from the end of 2009. This is expected to result in an annual average decline in real gross domestic product (GDP) of 0.9% in the March 2009 year, followed by a further decline of 1.7% in the 2010 March year. This is significantly below

¹ The Budget Economic and Fiscal Update 2009 (Treasury Report, 28 May 2009).

the 0.3% and 0.8% positive rates of growth predicted in the December [2008] Forecasts. The slower growth reflects lower levels of export and domestic demand, with the outlook for investment particularly affected by tight credit conditions and business uncertainty. The impact of the downturn on households will intensify with household spending declining. Rising unemployment, which is expected to peak at 8% in September 2010, will be a contributing factor. A gradual improvement in world growth prospects, combined with a low dollar and low interest rates, sees real GDP growth staging a relatively hesitant recovery with growth of 1.8% in the March 2011 year, increasing to 2.9% and 4.0% in 2012 and 2013 respectively." (Refer following table.)

PERCENTAGE CHANGE IN GDP PRODUCTION – NEW ZEALAND					
ACTUAL	FORECAST (MARCH YEAR)				
2008	2009	2010	2011	2012	2013
3.1%	-0.9%	-1.7%	1.8%	2.9%	4.0%

An example of the effect of international issues and their subsequent impact is the trend towards global increases in the price of oil, which in turn has a marked flow-on effect to the cost of fuel as well as bitumen used in road construction. The Bitumen Price Index² indicates that the cost of bitumen used for road construction increased by 55.6% between May 2004 and May 2009.

A number of organisations are predicting that “peak oil”³ production will occur in less than 10 years i.e. before the year 2018. This will have significant ramifications worldwide and filter through to all parts of New Zealand’s economy, including the cost to Council for delivering its services.

At the national level the change from a Labour to a National-led government in November 2008 and the new government’s proposed policy changes will also have a substantial impact on the country’s economy and the local government sector over the period of this 2009-19 LTCCP. For example, the new government is proposing to significantly increase spending on key infrastructure⁴, including an ultra-fast broadband network (\$1.5 billion over six years) and various new roading and transport initiatives (e.g. \$750 million over the next 10 years

2 New Zealand Transport Agency – Cost Adjustment Factors (May 2009).
 3 The point at which global oil production gradually declines, never to return to its previous highs.
 4 The National Governments Infrastructure Plan 'Building for a Brighter Future' (October 2008).

on the Waikato Expressway). In consultation with local government, central government intend to develop a 20 year National Infrastructure Plan outlining their investment objectives.

Council, in consultation with various economic agencies and other organisations, has taken into account and analysed a number of these key issues and drivers that are currently impacting on, or have the potential to impact on, Hamilton’s development and/or Council’s operations. Information gained through development of the eight City Strategies (refer Section 3.6) over the past two years provided further input into this analysis.

A number of these issues were also looked at as part of the March 2008 four day Enquiry by Design workshop that was undertaken as a key input into the development of the Hamilton Urban Growth Strategy (refer Section 6.1). This workshop reviewed a range of social, cultural, environmental and economic data as well as examining the various options for how Hamilton could grow. This process involved a wide range of Council staff and elected members, as well as representatives from a number of key organisations, e.g. the New Zealand Transport Agency, Environment Waikato and the Ministry of Education.

The recent global economic downturn has also filtered through to the local scene, with the construction sector being particularly affected. For example, the number of building consents issued for new houses in Hamilton has decreased markedly since 2006/07:

NUMBER OF BUILDING CONSENTS ISSUED IN HAMILTON (FOR NEW HOUSES)	
2004/05	999
2005/06	1,004
2006/07	1,207
2007/08	848
2008/09 (JULY 2008 – MARCH 2009)	302

Such issues continue to be monitored by Council on an ongoing basis so that it can respond to changes readily, as and when the need arises. This monitoring also extends to submissions that Council makes to various external organisations, particularly on issues and proposals that have the potential to impact on the city’s development and/or Council’s operations.

■ 5.2 DEVELOPMENT OF ASSUMPTIONS

As a result of analysing and monitoring key issues, Council has made a number of assumptions in developing the projects and programmes that comprise this 2009-19 LTCCP. For example, one of the key assumptions is that the New Zealand Transport Agency subsidy rates towards transportation (particularly road construction and maintenance) within the city's boundaries will remain unchanged over the 2009-19 period.

A set of population and dwelling projections (refer Section 2.0) were developed for Hamilton through to the year 2051 by the University of Waikato's Population Studies Centre, and for other participating councils in the FutureProof Sub-Regional Growth Strategy (refer Section 6.3). These projections are the main underlying assumption of the Hamilton Urban Growth Strategy and the growth related projects and programmes in this 2009-19 LTCCP.

Examples of some of the other key assumptions used to develop this LTCCP include borrowing costs, debt servicing costs, and return rates on Council's property investments.

Council will be responding to changes to the economic climate and any key assumptions as information becomes available through adjustments to its programme of works and service delivery as part of each Annual Plan.

The full list of assumptions (including their potential risks and levels of uncertainty) used in the development of this 2009-19 LTCCP is outlined in Volume Two (Section 3).

■ 5.3 ADJUSTMENT FOR INFLATION

The types of issues outlined in Section 5.1 also have a marked impact on the country's current and projected inflation rates, which in turn impact significantly on the delivery of Council's services. Over recent years New Zealand's inflation rate, as measured through the Consumers Price Index (CPI), has increased markedly. However, as a number of the CPI components that relate to Council's business have had above average increases (such as labour, construction materials and oil) the impact for Council has been magnified. As noted in Section 5.1, the cost of bitumen used for road construction increased by 55.6% between May 2004 and May 2009.

Council is also facing additional costs of providing infrastructure due to higher design standards and outcomes sought by the community through the urban design expectations of CityScope (Council's Urban Design Strategy) and Vista (Council's Urban Design Guide – refer Section 3.6). In some instances, there are

also additional costs of providing infrastructure and services due to additional or increased central government standards and regulations or to comply with various resource consent requirements.

In developing this LTCCP, Council has looked at inflation levels based on research into price level change adjusters specific to the main component cost drivers for the local government sector. These were published in September 2008 by economic consultants BERL (Business and Economic Research Ltd). The BERL research is useful in developing a longer term forecast of inflation impacts, however due to the rapidly changing economic environment which has been experienced during the development of this LTCCP (and in particular since September 2008), it has been necessary to also consider research that has been more focused on shorter term inflation trends.

Therefore when considering the impact of inflation on the forecast financial statements in the first two years of the LTCCP, Council has also drawn on research input from other New Zealand based financial institutions. Given the recent falls in inflation rates, Council has made an updated assumption that inflation will be 1.5% for year 2 (2010/11). As the impact of inflation has already been incorporated into the base budget for 2009/10, there is no need for inflation provision in this year.

Council has made separate assumptions regarding inflation rates impacting on operating and capital budgets. This is a change from the 2006-16 LTCCP where a single inflation assumption was used across all operational and capital expenditure budgets.

The adjustors provided by BERL were used to amend the costings of projects and programmes in this LTCCP by using an average of their nine main categories i.e.:

- 1 Roading and transport costs.
- 2 Property, reserves and parks costs.
- 3 Water – clean and dirty – including pipeline costs.
- 4 Staff costs.
- 5 Energy costs.
- 6 Other – adjustor for local government costs.
- 7 Pipeline costs (a sub-component of water costs).
- 8 Earthmoving costs (a sub-component of property, reserves and parks).
- 9 Private sector salary and wage costs (a sub-component of adjustors 1 through to 4 above).

Further detail on use of the BERL price level change adjustors can be found in Volume Two (Section 3) of this LTCCP.

■ 5.4 OTHER FINANCIAL ISSUES CONSIDERED- REQUIREMENTS AND IMPACTS

To deliver an affordable 10 year profile for rating increases, fees and charges and the level of debt the organisation can sustain, Council has had to consider the economic environment that is likely to prevail over the next 10 years. A number of significant assumptions have had to be made regarding key factors of the budget such as city growth, finance costs and inflation.

In regard to rates, Council uses forecast inflation as the most appropriate measure against which to benchmark the projected increase in rates revenue over the 10 year period. Over the 2009 – 19 LTCCP period the average percentage increase in rates to existing ratepayers is forecast to be 1.7% per annum higher than the forecast rate of inflation. Council considers this modest increase, over and above the level of forecast inflation, to represent an affordable level of rating increase for Hamilton ratepayers.

When considering fees and charges, in addition to forecast inflation, Council also benchmarks against similar services provided by other organisations in other areas and considers the impact that different pricing levels can have on demand for particular services.

In regard to debt, Council maintains a number of internal debt management policy ratios that act as benchmarks against which to monitor the affordability of Council debt.

These ratios are reported in Section 10.0. Notwithstanding the forecast deterioration in a number of Council's debt ratios over the 2009-19 period, Council is comfortable that all ratios are forecast to remain within the present policy limits. Furthermore, assuming no significant deterioration in its operating budgets, Council's debt position relative to its revenue base remains sustainable.

■ 5.5 COUNCIL'S PRIORITISATION TOOL

In developing this 2009-19 LTCCP, Council has also decided that the 'business as usual' approach that was reflected in the programme of works for the 2006-16 LTCCP is not sustainable in the medium to long-term, particularly given the impact of the global economic downturn that commenced in late 2008.

Council is constrained by its ability to pay for, fund and deliver on the ongoing operation and development of city services. Uncertainty in the wider economy is having a marked impact on Council's revenue streams and therefore its ability to continue delivering its current high level of service to the community and to pay for enhancements to the city's infrastructure. For example, Council is currently forecasting a significant reduction in revenue from new rating growth and from building and development fees for the financial year ending June 2009 as a result of the slowdown of construction in Hamilton's residential, commercial and industrial sector. As noted in Section 5.1, this slowdown was particularly evident in 2007/08 and 2008/09, with the revenue from development contributions currently down to just over 30% of that budgeted for 2008/09 (from \$18.6 million to \$6.0 million). This may mean that the revenue collected from these contributions for 2008/09 may not cover the cost of interest on debt raised for growth projects undertaken.

Council recognises that rates need to be kept to a realistic and acceptable level through sensible and prudent long term financial planning, while at the same time being balanced against a programme of works that still ensures the city can operate in an efficient, cost-effective and more sustainable manner.

To assist in delivering on a balanced and affordable 10 year work programme, Council developed a Prioritisation Tool that assisted in ascertaining the optimum staging and timing of projects over the 10 year period of the 2009-19 LTCCP. The broad application of this tool has enabled the production of a programme of works and associated budget that is both deliverable and affordable. The Prioritisation Tool assisted Council to focus the staging of works around three main phases:

'Mend' – Occurs in the early years of the 2009-19 LTCCP. The concept of mending is making the most of what we currently have. It involves a period of consolidation and realignment of key plans and policies (such as the city's District Plan) with the City Strategic Framework and its eight constituent strategies, investment in Council's key information assets and a focus on a better understanding of the condition of some key assets.

'Extend' – Occurs in the middle years of the 2009-19 LTCCP. Services will be expanded to address pressures on existing infrastructure and to meet proposed service levels of various facilities e.g. libraries and swimming pools. Deliverability will still be balanced with affordability.

'Blend' – Occurs in the latter years of the 2009-19 LTCCP. Expansion of infrastructure will continue but this period will also involve maintenance and upgrading of existing assets and planning for future growth cells.

The Prioritisation Tool recognises that there is existing baseline expenditure relating to projects and programmes that are already underway and these projects and programmes run throughout the three phases (for example, CityHeart, Claudelands, Access Hamilton, Strategy Flagship projects and Council's renewals programmes).

The three key phases that comprise the Prioritisation Tool are outlined below.

COUNCIL'S PRIORITISATION TOOL		
"MEND" REALIGN	"EXTEND" EXPAND	"BLEND" CONSOLIDATE
Early Years of the LTCCP	Middle Years of the LTCCP	Latter Years of the LTCCP
Carryovers Planning Environment (1) Organisational Review (2) Asset Investigation	Renewals Increase Community Infrastructure Delivery Growth Infrastructure (3) Boundary Adjustments	Rotokauri Stage 2 (Commercial) Future Residential (4) Asset Upgrades Strategy Review

1: Planning Environment

- Review of Hamilton's District Plan.
- Complete Structure Plans.
- FutureProof implementation.

2: Organisational Review

- Enhancing internal systems and processes.
- Service delivery review.
- Funding of depreciation.

3: Growth Infrastructure

- Ruakura.
- Rototuna town centre.

4: Future Residential

- Land purchases.
- Designations.
- Infrastructure design/ investigation.

As a result of using the Prioritisation Tool, a number of projects that had an existing commitment in the 2006-16 LTCCP have had their timing reprioritised to assist in the delivery of a more affordable programme of works across each year of the 2009-19 LTCCP and to reflect the latest economic trends and their impact on growth. Of particular note is the community facilities for the north-east sector, including swimming pool (total cost \$15.7 million) and community library (total cost \$14.4 million) are now proposed to be completed in 2014/15.

■ 5.6 INCOME FROM DEVELOPMENT AND FINANCIAL CONTRIBUTIONS

Income generated through the application of Council's Development and Financial Contributions Policy will be used to fund projects required to facilitate residential, commercial and industrial growth throughout the city. To date (1 July 2005 – 30 June 2008) the Policy has generated just on \$23.9 million in revenue.

The proportion of Council's total debt that is funded by development contributions is forecast to increase significantly over the 10 year period of the LTCCP i.e. from 34.5% (\$123 million) in 2009/10 to 52.1% (\$364 million) in 2018/19.

Since its introduction on 1 July 2005, Council has reviewed the policy on an annual basis through the LTCCP and Annual Plan process. The reviews ensure that the policy is continuing to meet Council's requirements under the Local Government Act 2002, that the policy reflects recent case law and that the benefits to current and future generations are also taken into account. In keeping with a sustainable development approach, Council currently loan funds all growth related capital expenditure to allow the costs to be spread across a number of years, which means that current generations are not burdened with the full cost.

“Council is influenced by what is happening locally, nationally, and internationally.”

Changes to the policy in 2009/10 include revised development contribution charges, small changes to the catchments used in the policy, and a revised transport "unit of demand" to reflect more up-to-date research.

As part of its annual Development and Financial Contributions Policy review, Council has made the following changes to the development and financial contribution charges.

CHANGES TO COUNCIL'S DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY		
GREENFIELD		
	2008/09 (\$) EXCL GST	2009/10 (\$) EXCL GST
Residential (per single household equivalent unit of demand)	25,142	31,629
Commercial (per 100m ²)	6,582	12,331
Industrial (per 100m ²)	5,005	6,462
INFILL		
	2008/09 (\$) EXCL GST	2009/10 (\$) EXCL GST
Residential (per single household equivalent unit of demand)	9,440	10,619
Commercial (per 100m ²)	4,946	6,270
Industrial (per 100m ²)	3,942	2,952

Council's Development and Financial Contributions Policy is contained in Volume Two of the 2009-19 LTCCP.

For further information about Council's Development and Financial Contributions Policy, please contact the Strategy and Research Unit (phone 958 5855, email strategy@hcc.govt.nz).

5.7 APPROACH TO RATING

5.7.1 LAND-BASED RATING SYSTEM

As part of reviewing its 2006-16 LTCCP, Council investigated the impact of different rating scenarios on the city's ratepayers. Various rating options with targeted rates on a capital value basis and a uniform basis as alternative funding mechanisms for some services were considered. Council concluded that in the current economic environment any change to the existing land-based rating system would have some significant impact and affordability issues for a large number of ratepayers.

Although Council acknowledges that no rating system is fair and equitable to all ratepayers, it considers that continuation of the current land-based rating system at this stage will provide more certainty of rating levels for existing Hamilton residents and ratepayers. It will also ensure an adequate provision of rates to support and deliver on the projects and programmes in this LTCCP.

Continuation of the land-based rating system will also assist in providing economic stability for Hamilton residents and ratepayers. However, Council is also of the view that it would be desirable in the future when introducing any new rates to have these based on a capital value rating system. This would have the effect of reducing the incidence of rating on land value and change the overall percentage split between land value and capital value over a period of time.

5.7.2 SPECIAL RATING VALUES AND FARM POSTPONEMENT VALUES

The Local Government (Rating) Act 2002 repealed Sections 22-25 of the Rating Valuation Act 1998, which up until the new Act came into effect (1 July 2002) had provided for special rating values and farm postponement values. As a result, the Valuer General determined that from 1 September 2003 with effect from the 2004/05 rating year, no special rating values or farm postponement values will be assessed for rating purposes. Council then adopted a Rates Remission – Special Rating Values Policy in June 2004, which allowed those properties that qualified at 1 July 2003 to continue to receive the special values unless the property sold or the use changed. If this happened, the special values would be removed immediately.

As a result of the 2006 revaluation, which had significant land value increases, the difference in values has reduced leaving little justification or reason to continue the special land value remission.

Council resolved that no properties be provided a special value or farm postponement value as from 1 July 2010 in accordance with Rates Remission – Special Rating Values Policy and Rates Postponement – Farm Postponement Values Policy. The only exceptions are the AgResearch Ruakura property and any other property that could demonstrate a legal agreement that would show in perpetuity that it cannot be subdivided or changed from its current use or purpose. The Rates Postponement – Farm Postponement Policy will be terminated from 30 June 2010 and the Rates Remission – Special Rating Values Policy will be rewritten to reflect this change from 1 July 2010 and is included in the 2009-19 LTCCP.

5.7.3 RATING OF RETIREMENT VILLAGES COMMUNITY FACILITIES

Council has amended its Rating Policy (Section 6.7.14) to ensure that retirement villages which are operated entirely by an entity that has registered charitable status under the Charities Act 2005 continue receiving the 50% rates remission on the area of the complex that is used for recreation by residents and the wider community. Retirement villages that are not operated entirely by entities which have registered charitable status under the Charities Act 2005 will be rated at the full residential rate for the whole complex.

5.7.4 RATING OF CHARTERED CLUBS

These properties are operating on the same basis as a commercial business with a bar or restaurant and a gaming machine area, which is consistent with a hotel or commercial enterprise. A membership fee is charged and the facility is not available to the general public. They operate on a quasi-commercial basis.

Council has therefore resolved to rate the restaurant, bar and gaming machines area of these Chartered Clubs at the full commercial/industrial rating as from 1 July 2009.

5.7.5 BUSINESS IMPROVEMENT DISTRICT

A Business Improvement District (BID) programme is a partnership between local government, the business community and other stakeholders to develop projects and services that will benefit the trading environment and add vibrancy to the area. The driver for forming a BID is the understanding that place-based problems and issues demand specific place-based solutions and that businesses themselves are best placed to respond to these issues.

A BID approach was initiated by the Hamilton Central Business Association. The CityHeart BID partnership will link private and public interests in order to plan and manage events, marketing and the public environment in order to enhance local business.

A poll was conducted by the Hamilton Central Business Association in March/April 2009 to assess the level of support for a BID targeted rate from business or property owners. The postal vote recorded a 34% return rate from an eligible voting pool of 996 voters. Of those who voted 66.7% were in favour of Council striking a targeted rate to be used for the promotion and advancement of the CBD.

Council will contribute \$100,000 in each of years 2009/10 and 2010/11 to support the formation of the BID. The BID will operate within a defined area of the central city (refer Appendix 1 of Council's Rating Policy – Volume Two of the 2009-19 LTCCP). A targeted rate for property owners within this defined area will commence from 1 July 2009 (refer Section 6.7.6 (5) of Council's Rating Policy). The Hamilton Central Business Association intends to utilise funding from the targeted rate for a variety of programmes and activities.

The establishment and operation of the BID is guided by the BID Policy (refer Section 13.0 in Volume Two of Council's 2009-19 LTCCP for the Business Improvement District (BID) Policy 2009). This policy also provides guidance to Council in administering the BID programme and its associated targeted rate.

5.7.6 INCORPORATING 'RUAKURA' AND 'TE RAPA NORTH A' INTO HAMILTON'S BOUNDARY

In order to facilitate the ongoing development of the city as outlined in the Hamilton Urban Growth Strategy, five areas of land (to the immediate east and north of Hamilton) will need to transfer into the city from Waikato District Council. The transfer of two of these areas was first identified in the Strategic Agreement on Future Urban Boundaries between Hamilton City Council and Waikato District Council that was adopted in March 2005. The transfer of the other areas has arisen through subsequent developments.

The five areas that are proposed to be transferred are:

- R1 (Ruakura) – being approximately 730 hectares to the east of the city between Morrinsville Road (SH26) and Greenhill Road and to the edge of the proposed Waikato Expressway.
- R1a – being a 4.3 hectare strip of land between Borman Road and the proposed Waikato Expressway.
- HT2a (Te Rapa North A) – being the area on the western side of the Waikato River between the designation for the Horotiu/Te Rapa Bypass and the river but excluding area HT2b.
- HT2b (Te Rapa North B) – being the area to the west of the Waikato River, between the present SH1 and the River from the Te Rapa Fonterra Dairy Factory in the south of the designation for the Horotiu/Te Rapa bypass in the north.
- HT2c (Te Rapa North C) – a small area, adjacent to the west side of the Ruffell Road/Te Rapa Bypass interchange, that will be cut off from the District by proposed bypass developments.

Both councils have now agreed on the broad terms for Ruakura and Te Rapa North A to transfer into the city and initiated a joint process to facilitate the transfer of all five areas into the city as soon as possible (anticipated by 2011). This joint process is a formal statutory process overseen by the Local Government Commission. This will involve detailed consideration of how these areas will be administered and include thorough public consultation process.

It should be noted that Council's 2009-19 LTCCP is based on the current city boundary.

5.7.7 THE GOVERNMENT INQUIRY INTO LOCAL GOVERNMENT RATES

Shortly after Council adopted its 2006-16 LTCCP central government announced it had established an Independent Inquiry into local government rates.

The Inquiry reported back in August 2007, making 97 recommendations to government and to local councils for changes to the way:

- Local government is funded.
- The way councils manage their finances.
- The way councils plan and explain their plans to the public.

Following the August 2007 report, the previous government considered the recommendations. In some areas (such as the rating of Maaori freehold land, and valuation), the previous government called for further information and discussion. In some other areas the previous government had not made any decisions before the election was called. This includes decisions around the types of rates that councils are allowed to levy and whether some properties should be exempt from paying rates (mostly land owned by the Government).

All of the decisions as a result of the Rating Inquiry made to this point will result in little or no change for most ratepayers.

The previous government thought that rates are the best means of funding the services that councils provide. At the present time around one dollar in every seven dollars that councils spend comes from the government. The previous government thought that finances of councils are generally healthy and therefore that it need not provide additional funding for local authorities as a group.

The new government has not made it clear which of the recommendations it wants to adopt, if any. Until it does, Council, like most other councils, is not expecting to receive any additional funding as a result of the Rating Inquiry. It is therefore unlikely that there will be any real impact for Hamilton ratepayers as a result.

Council has put a considerable amount of effort into making sure that the information contained in this 2009-19 LTCCP clearly shows what its services cost and what the community receives in return.

For further information about Council's rating system and Rating Policy, please contact the Revenue Manager (phone 838 6747, email john.gibson@hcc.govt.nz). Council's Rating Policy is contained in Volume Two of this 2009-19 LTCCP.

5.7.8 REVIEWING ASPECTS OF THE LOCAL GOVERNMENT ACT 2002

In addition to the Inquiry into local government rates, the new government is also looking at reviewing aspects of the Local Government Act 2002. The Department of Internal Affairs released a Cabinet paper from the Minister of Local Government in May 2009 seeking Cabinet approval to commence a project focusing on the transparency, accountability and fiscal management of local government (known as the TAFM review). The overall purpose of the review is to *“give ratepayers and citizens better tools for controlling council costs, rates and activities”*.

Areas that the TAFM review will look at includes:

- Simplifying LTCCPs and giving them a more strategic focus.
- Using additional ‘plain English’ financial disclosures.
- Considering a local pre-election fiscal update and a local fiscal strategy.
- Exploration of a local government cost index for benchmarking purposes.
- Reviewing the community outcomes process.
- Developing a more focussed and less costly performance reporting system.
- Disclosing infrastructural asset management information to the community.
- Developing mechanisms for developing comparisons between councils.
- Decision-making processes (including use of polls and referenda).
- The role and future of the Audit process.

Changes are likely to be made to the Local Government Act 2002 as a result of the TAFM review. Council will continue to monitor and input into this process through the likes of representation on various sector working groups as well as making submissions to subsequent discussion papers and Bills.