



4 September 2019

Judy and Bob Bragger
By email: judy.bragger@gmail.com

Dear Ms and Mr Bragger

HAMILTON CITY COUNCIL – FINANCIAL PROJECTIONS FOR 2018-28 LONG TERM PLAN

I refer to your email dated 20 August 2019 in which you raise concerns about the viability of Hamilton City Council's (the Council) 2018-28 Long-term plan (LTP). You have specifically asked the Office to look at the financial projections for the LTP to ensure the LTP is viable and has the appropriate risk contingencies built into it. Your contention is that the Council's financial projections indicate that the projected debt level is not manageable in the foreseeable future.

I respond below to each of the matters that you raised. I note that some of the matters that you raise are similar to those you raised in June 2018.

Lack of consultation

You state that there has been no opportunity for the public to vote on decisions to increase debt – that there was no place in the consultation document for the 2018-28 LTP for people to vote on doubling the debt and spending of \$2 billion on infrastructure.

The process of consulting on a council's LTP is not a voting process. Section 93(2) of the Local Government Act 2002 (LGA) requires a council to use the special consultative procedure in adopting an LTP.

The special consultative procedure requires a council to provide people with a reasonable opportunity to present their views to the council in a manner and format that is appropriate to the preferences and needs of those providing their views. The council must receive the views presented to them with an open mind and must give them due consideration in making a decision. Those who present views to the council should have access to a clear record or description of relevant decisions made by the council and explanatory material relating to the decisions, which may include, for example, reports relating to the matter that were considered before the decisions were made (see sections 82 and 83 of the LGA).

As I noted in our response to your June 2018 email, the consultation document must provide a fair representation of the matters that are proposed for inclusion in the LTP, including an explanation of what this means for rates, debt and levels of service. It must also include the proposed content of the council's financial strategy (under section 101A of the LGA).

The auditor forms a judgement on the quality of the information and assumptions that underpin the LTP and the consultation document – this information includes the financial strategy.

Viability of the Long-term plan

You state that the Council's projections indicate that the proposed debt is not manageable in the foreseeable future, and that the Council has consistently failed to meet the balanced budget benchmark.

As noted in our response to your June 2018 email, a key part of the audit of a council's LTP and associated consultation document is for the auditor to form a judgement on the quality of the information and assumptions that underpin the LTP and the consultation document – this information includes the financial strategy. However, the

auditor cannot comment on the merits of any policy content of the LTP (section 94(3) of the LGA) – this includes the Council's approach to its financial strategy and how much rates revenue the Council collects).

The content of the financial strategy is for the individual council to determine provided that the strategy enables the council to act in a financially prudent manner in terms of sections 100 and 101 of the LGA. The role of the auditor with respect to the financial strategy is to evaluate whether the strategy is financially prudent.

The auditor of Hamilton City Council formed the opinion that the information and assumptions underlying the forecast information in the Council's 2018-28 LTP are reasonable. The auditor based their opinion on an assessment as to whether (among other matters) the Council's financial strategy and the associated financial policies support prudent financial management by the Council. Note that the audit report included an emphasis of matter that draws attention to planned efficiency savings and the forecast financial impacts of the LTP. It notes that if the savings are not realised, and no changes are made to rates or the capital programme the Council would breach its debt-to-revenue limits.

Failure to meet the requirements of the LGA and Local Government (Rating) Act 2002

You allege that the Council is not meeting some of the regulations in the LGA and Local Government (Rating) Act 2002.

We advised you in our response to your email of June 2018 that the auditor, and the Office of the Auditor-General more generally, do not have a legal compliance role in terms of the setting of rates. The responsibility for legislative compliance rests with the Council when setting, assessing, invoicing and collecting rates. The role of the auditor is to get reasonable assurance that rates revenue has been properly calculated and that there is no major risk to collecting rates.

Excessive non-core spending

You refer to a report that identifies the Council as the greatest spender on "non-core" services. The auditor and the Office more generally has no role in determining what is an appropriate mix of core and non-core services to their community – this is determined through the LTP and annual plan development process in consultation with the community.

High staff costs

You state that you think that the salary of senior staff for every council should be included in the Local Government Members (2019/20) Determination 2019. This is a matter that you will need to take up with the Minister of Local Government who is responsible for the administration of the Local Government Act 2002 and local government policy matters more generally.

You have also expressed concerns that elected members are not acting as a team when making important decisions. I encourage you to raise your concerns directly with the Council.

Thank-you for taking the time to write to us. I have shared your concerns with the appointed auditor for their consideration as part of the annual audit which is currently underway, and for the future audit of the Council's 2021-31 LTP.

Yours sincerely



Kristin Aitken
Sector Manager, Local Government