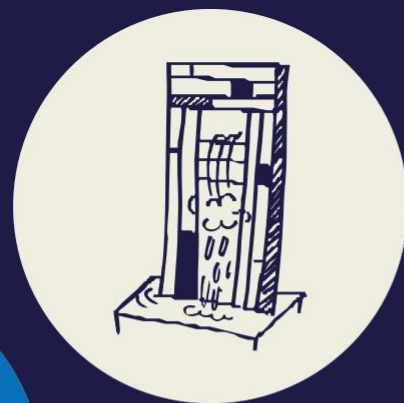


# HAMILTON CITY COUNCIL - STAFF SUBMISSION

## Fire and Emergency New Zealand (Levy) Amendment Bill

Parliament's Governance and Administration Committee



25 October 2022



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa

# Improving the Wellbeing of Hamiltonians

Hamilton City Council is focused on improving the wellbeing of Hamiltonians through delivering to our five priorities of shaping:

- **A city that's easy to live in**
- **A city where our people thrive**
- **A central city where our people love to be**
- **A fun city with lots to do**
- **A green city**

The topic of this submission is aligned to the priority '**A fun city with lots to do**'.

## Council Approval and Reference

This staff submission was approved by Hamilton City Council's Chief Executive on 25 October 2022.

Hamilton City Council Reference D-4438984 - submission # 707.

It should be noted that the following submission is from staff at Hamilton City Council and does not necessarily represent the views of the Council itself.

## Key Messages and Recommendations

1. Hamilton City Council staff support the purpose and provisions in the **Fire and Emergency New Zealand (Levy) Amendment Bill**.
2. We recommend including the Fire Service Levy Exemption within the amended Act.
3. Exclusion of the Fire Service Levy Exemption from the amended Act would result in an unfair significant financial impact on the Waikato Museum's operation, noting that it is a not-for-profit organisation whose historic objects are held for the benefit of Aotearoa and its residents and not to generate a profit.

## Introduction

4. Hamilton City Council staff appreciate the opportunity to make a submission to Parliament's Governance and Administration Committee on the **Fire and Emergency New Zealand (Levy) Amendment Bill**.
5. We acknowledge the importance for Fire and Emergency New Zealand to receive adequate funding to be positioned to protect people and property in Aotearoa.
6. We acknowledge that Section 25A of the Fire and Emergency New Zealand Act 2017 exempts "*art or items that are in a collection of a cultural heritage body*" where the cultural heritage body "*is a permanent non-profit-making body whose primary purpose is to exhibit or conserve cultural heritage items and exhibits or conserves its collection or collections in or on premises that are not a private residence and that are usually open to the public or a class of the public*" being charged the Fire Service Levy.
7. We acknowledge that the Waikato Museum is a non-profit-making entity who rely primarily on ratepayer funding and donations.
8. We acknowledge that the current levy exemption on Art and Items in Collections has received strong support over recent years when a review was undertaken.
9. We recognise that the Amendment Bill has potential to significantly disadvantage the Waikato Museum and other entities under the galleries, libraries, archives, and museums (together known as GLAM) of Aotearoa if the Fire Service Levy exemption to Art and Items in Collections is removed.

## Waikato Museum is Not-For-Profit

10. Hamilton City Council staff recognise that the Fire Service Levy is currently charged at 0.106% of the indemnity value of a building, plant or stock for a commercial business or landlord, and is capped at \$106 per domestic home and \$21.20 per domestic contents policy.
11. We recognise there is no cap for commercial entities as most exist to generate a profit, positioning themselves to better afford additional Fire Service Levy with business growth and additional purchases. This aligns with the approach that an insurance-based Fire Service Levy should be the appropriate model to capture the fire risk presented by a business, determined by its size and sums insured.
12. We acknowledge that the Waikato Museum and other GLAM entities find themselves in the position where the Fire Service Levy would not be capped as they are classed as commercial. These entities do not exist for profit, and therefore do not have the benefit of a capped levy to protect them from paying an unaffordable amount, such as the cap that domestic insurance policy holders can rely on.

13. Hamilton City Council staff acknowledge the fairness in the Waikato Museum paying a large sum of Levy due on the building, in which the Waikato Museum currently contributes \$17,889 +GST in Fire Service Levy annually as part of the insurance on its structure and non-art related plant/contents.
14. We recognise the unproportionate calculation if the Waikato Museum was charged the current 0.106% on their Art Collection, which has a current insured value of \$45,582,286. This would total \$48,317 +GST, which is the equivalent of insuring the Waikato Museum building 2.7 times. To charge the Fire Service Levy in a manner suggesting the Art is almost three times the fire risk of the building is unfair to the Waikato Museum and unproportionate to the fire risk posed by their collections.

## Art is not Charged on the Indemnity Value

15. We recognise the levy for building value is based on the Indemnity Value, whereas Art only has a Market Value.
16. We further recognise that these two separate values could mean the difference between an Art Collection being worth \$45,582,286 (Market Value) and \$1,250,000 (Indemnity Value), and thus the difference between \$48,317 and just \$1,325 of levy being charged.
17. We recognise that the indemnity value has resulted in a levy rarely increasing on the prior year due to the depreciation involved in an indemnity value.
18. Hamilton City Council staff acknowledge that Art appreciates and therefore will attract a higher levy every year, though the fire risk it presents is no greater.

## Art Being Calculated as Plant will not be Accurate

19. We recognise that the Fire Service Levy is currently calculated only by the sum insured value of plant with no additional detail regarding type or usage.
20. Hamilton City Council staff acknowledge that in a commercial context the Waikato Museum's current insured collection of \$45,582,286 would be a high amount of 'plant' that would usually represent a reasonably sized corporate operation. A commercial entity of this nature could likely fund the increased levy without the need to request additional funding from Hamilton City Council, other donors or resorting to being uninsured to avoid this additional cost.
21. We recognise that the Waikato Museum would be unfairly charged a levy the same as a corporate sized, profitable business whose plant exists to make a profit proportionate to the amount it holds if the exemption does not remain.
22. Where a profitable business would be charged on the indemnity value/depreciated amount of its plant, the Waikato Museum will be charged against the entire replacement cost/market value of its collection.
23. We acknowledge that the Waikato Museum being charged on its collection the same as a profitable business would for its plant, would result in an unfair and unproportionate levy charge, as opposed to how the insurance-based system was designed.

## Vested Interest in Protecting Irreplaceable Art and Objects

24. We acknowledge that the Waikato Museum has a vested interest in taking every possible measure to avoid damage to their building and collection objects. These measures include efficient fire monitoring, sprinkler, HVAC and security systems, and well established and sophisticated disaster and emergency plans.

25. This vested interest stems from the very items that Hamilton City Council staff recommend remain exempt from Fire Service Levy, as funds are already more appropriately spent on fire defence systems and maintenance to ensure irreplaceable items are kept as safe as possible from fire.

## Further Information and Hearings

26. Should Parliament's Governance and Administration Committee require clarification of the submission from Hamilton City Council staff, or additional information, please contact **Matt Besley** (Insurance Advisor – Finance Unit) on 07 959 9067 or email [matt.besley@hcc.govt.nz](mailto:matt.besley@hcc.govt.nz) in the first instance.
27. Hamilton City Council staff **do wish to speak** in support of this submission at Parliament's Governance and Administration Committee hearings.

Yours faithfully



**Lance Vervoort**  
**CHIEF EXECUTIVE**

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