

Property Council New Zealand

Submission on

Draft Hamilton City Council Annual Plan 2023-2024

08 May 2023

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Hamilton City Council Draft Annual Plan 2023-2024.

1. Summary

- 1.1 Property Council New Zealand Central Region (“Property Council”) welcomes the opportunity to submit on Hamilton City Council Draft Annual Plan 2023-2024. Like many organisations, public and private, Hamilton City Council has faced additional financial pressure as a result of factors such as interest rate hikes and spiking inflation. Property Council sympathises with the financial pressures facing Hamilton City Council.
- 1.2 Given the macroeconomic circumstances, Property Council broadly supports the direction of the Draft Annual Plan 2023-2024. However, we would also stress the importance of developing alternative approaches to infrastructure funding and financing for next year’s Long Term Plan that will ensure that Hamilton City Council has greater capacity to deliver much needed new infrastructure.

2. Recommendations

- 2.1 Property Council recommends that Hamilton City Council:
 - Develops alternative approaches such as targeted rates and Special Purpose Vehicles for funding and financing infrastructure in next year’s Long Term Plan.

3. Introduction

- 3.1 Property Council is the leading not-for-profit advocate for New Zealand’s most significant industry, property. Our organisational purpose is, “Together, shaping cities where communities thrive”.
- 3.2 The property sector shapes New Zealand’s social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.
- 3.3 Property is the second largest industry in the Waikato. There are around \$130.4 billion in property assets across the Waikato, with property providing a direct contribution to GDP of \$2.8 billion (12 percent) and employment for 18,030 Waikato residents.
- 3.4 Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 86 Waikato based member companies across the private, public and charitable sectors

4. Proposed rates increase

- 4.1 Hamilton City Council is proposing to maintain the planned average rate increase of 4.9 per cent, as originally set out in the Long Term Plan 2021-2031. Property Council supports the proposed approach to rates in the Draft Annual Plan 2023-2024 and we commend Hamilton City Council for their consistent approach to rates.

4.2 Having a consistent approach to rates is critical for the property sector and helps provide the sector with the certainty and continued confidence to invest in new developments across Hamilton. This is especially important in light of the current business environment, with many businesses facing significant external hindrances such as large-scale inflation, labour shortages, reduced consumer demand, increased government regulation and elongated effects of COVID-19 such as working from home.

5. Cost pressure & inflation

5.1 In order to address the \$35 million budget deficit, Hamilton City Council is proposing \$7.881 million in operational spending reductions and \$1.29 million in operational revenue increases. Alongside \$10.5 million in central government 'Better Off' funding, this reduces the forecast budget deficit to around \$15 million.

5.2 Property Council is understanding of the proposed approach to cost pressures and inflation in the Draft Annual Plan 2023-2024, given the current macroeconomic circumstances. We consider it to be a prudent outcome for ratepayers, at a time of growing financial stress for many across Hamilton. However, we would strongly stress the importance of ensuring that cost reductions do not comprise the ability of Hamilton City Council to continue delivering core services, relied upon by Hamiltonians.

6. Use of debt

6.1 Hamilton City Council is proposing to use additional debt to fund the remaining \$15 million budget deficit. This would see a forecast debt-to-revenue ratio of 198 per cent and net debt of \$869 million. Despite the use of additional debt, this is lower debt-to-revenue and net debt level than originally forecast in the Long Term Plan (269 per cent and \$993 million respectively).

6.2 Property Council supports the proposed approach to the use of debt in the Draft Annual Plan 2023-2024. Given the macroeconomic climate, the prudent use of additional debt to deliver consistency is financially responsible for ratepayers. We are encouraged by debt-to-revenue and net debt being notably lower than originally forecast in the Long Term Plan 2021-2031.

7. Capital Expenditure

7.1 The Long Term Plan 2021-2031 had originally planned for \$278 million in capital expenditure for 2023-2024. Accounting for higher than expected cost inflation, and past changes by Hamilton City Council to planned capital expenditure, the forecast capital programme for 2023-2024 had increased to \$453 million. Hamilton City Council is now proposing to reduce the capital programme for the year to \$340 million, by deferring select capital expenditure to future financial years.

7.2 Property Council is understanding of the need to temporarily defer some capital expenditure to upcoming financial years, due to operational constraints and Hamilton City Council's limited financial resources. However, delivering new infrastructure is critical to the future of Hamilton and should be priority for Hamilton City Council in next year's Long Term Plan. Property Council strongly recommends that Hamilton City Council undertakes work to develop alternative approaches to funding and financing capital projects, as discussed below in section 8, for inclusion in next year's Long Term Plan.

8. Funding & financing alternatives

8.1 Property Council has consistently advocated for the use of transparent, beneficiary pays alternative funding models for local government, especially in terms of delivering critically

needed infrastructure. Examples of these models include targeted rates, user-pays systems, and Special Purpose Vehicles (“SPVs”) as enabled under the Infrastructure Funding and Financing Act (“IFF”). As an example of their application, Tauranga City Council has recently utilised SPVs for projects such as the ‘Transport System Plan’, resulting in \$175 million in additional infrastructure funding.

8.2 Our proposed alternatives meet the legislative principles of transparency and objectivity for funding local government, as set out in both the Local Government Act 2002 and Local Governing (Rating) Act 2002. Our approach is also consistent with the recommendation of the New Zealand Productivity Commission that local government should adopt a more transparent approach to rating tools and other funding sources¹.

9. Conclusion

9.1 Property Council sympathises with the financial pressures facing Hamilton City Council and broadly supports the direction of the Draft Annual Plan 2023-2024. However, we recommend that Hamilton City Council undertakes work to develop alternative approaches to funding and financing capital projects for next year’s Long Term Plan, that can help deliver much needed new infrastructure.

9.2 Property Council members invest, own, and develop property in Hamilton. We thank Hamilton City Council for the opportunity to submit on the Draft Annual Plan 2023-2024. We also wish to be heard in support of our submission. Any further enquires do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787.

Yours Sincerely,



Morgan Jones
Central Committee Chair

¹ Local government funding and financing. Retrieved from
<https://www.productivity.govt.nz/inquiries/localgovernment-funding-and-financing/>