

# Greater Wellington Regional Council

## **Understanding the proposed rates - Supporting information**

Long Term Plan 2018-28  
Proposed Revenue and Financing Policy 2018

# The three major components of changes to rates

Most years there are two factors that affect how much rates each property is assessed for. This year, proposed changes to Greater Wellington's Revenue and Financing policy will also affect the rates for each property. The major factors influencing changes in rates are therefore:

1. Property value, usually as capital value (CV). This affects how rates are shared among ratepayers, and affects each ratepayer's share of the pie.
2. Expenditure changes. When Greater Wellington needs more funding for its planned programme then the total amount of rates needs to increase. This is about the size of the rates pie.
3. Revenue and Financing policy changes. This also affects how rates are shared among ratepayers – and affects each ratepayer's share of the pie.

## 1. Property value changes

### *Property values within a district*

When properties are revalued, the relativities among properties are likely to change. This means that the amount of rates that each property is assessed for also changes.

This year, for example, properties in Kāpiti Coast, Masterton, Carterton and South Wairarapa districts have been revalued. In all these districts, Residential properties have significantly increased in value, to a much greater extent than Business/Commercial/Urban and Rural properties. This means that ***within*** each district, if nothing else changes (no expenditure changes, no policy changes), then:

- Residential properties will have to fund a larger share of any district rates based on CV.
- Commercial/Urban properties will fund a smaller share of any district rates based on CV.
- Rural properties will fund a smaller share than in the past, compared to Residential properties, but a larger share than in the past, relative to Commercial/Urban properties.

### *Equalised capital value across the region*

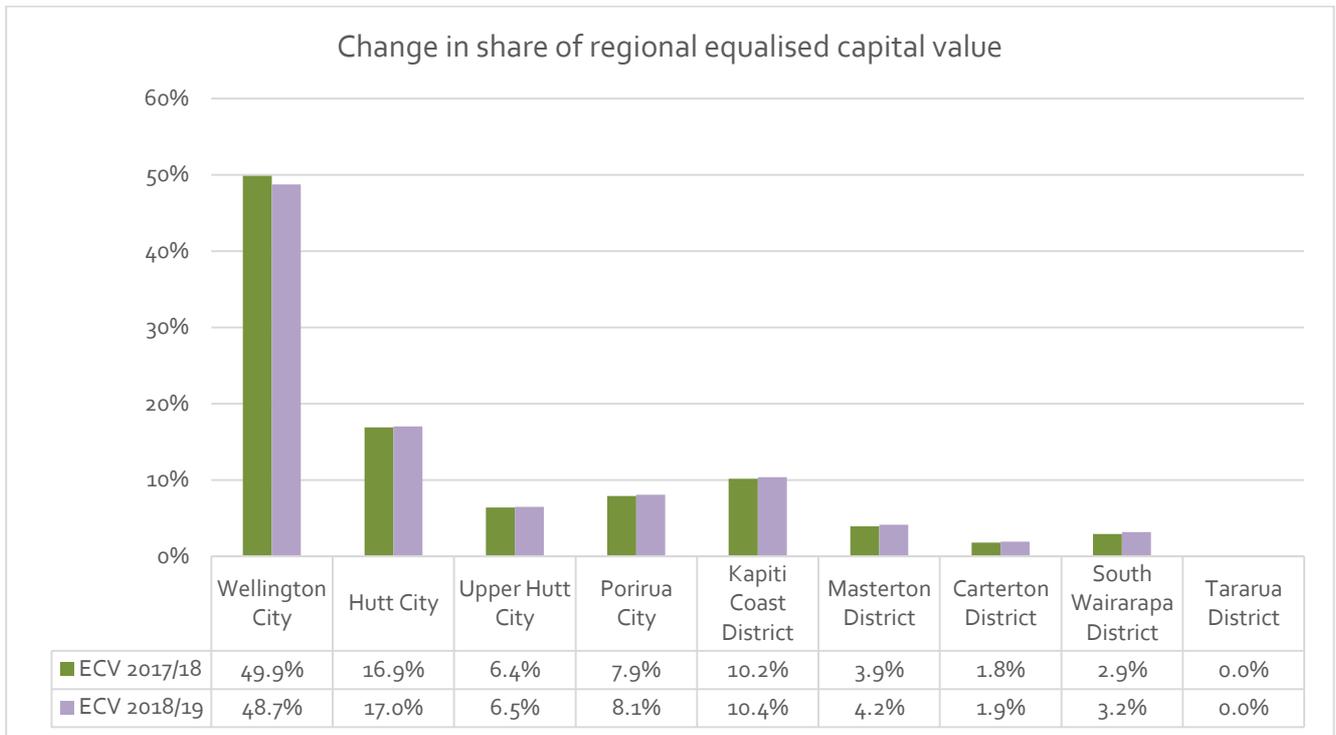
Greater Wellington uses equalised capital value (ECV) to adjust for differences in the timing of when properties in different councils are revalued. The equalised figures, take account of market and other movements in property values within the region over the previous year.

Every year, Quotable Value provides Greater Wellington with a figure that is the total equalised capital value for all properties within that city or district. Each city and district council in the region advises Greater Wellington of the proportion of property that is attributable to each rating category within its own area

- Residential (includes Urban Residential)
- Business (includes Urban Commercial)
- Rural
- Regional CBD, (Wellington City Downtown area).

Using these figures, Greater Wellington calculates the proportion of the ECV that is attributable to each category, within each city and district. This means that there are changes in the relative size of each district compared to the region as a whole

This chart shows the change in each city or district's share of ECV from 2017/18 to 2018/19. You can see the increased share of the Kāpiti, Masterton, Carterton and South Wairarapa districts.



If there are no expenditure or policy changes then ratepayers from districts that have increased in relative size will pay a larger share of the regional rates that are based on CV.

## 2. Activity and Expenditure Changes

Greater Wellington's proposed Long Term Plan shows that the Council will need an additional \$7.9 million to be funded from rates in 2018/19, which is an average rate increase of 6.7%. Over the next three years, Council's proposed plan will require an average 6.3% rate increase each year, and an average of 5% each year over the next ten years.

## 3. Proposed Revenue and Financing policy changes

Council proposes to change the way it allocates rates among ratepayers for two groups of activities: Public Transport and Flood Protection. This change is proposed to take place with a 3 year transition.

The proposal changes the relative shares of rates among different groups of ratepayers. The rates allocations under the new policy are also influenced by changes in the valuation data.

### *Public Transport*

We are making structural changes to the way these rates are calculated. As a general rule, public transport rates *within* each differential rating category will be aligned with the ECV:

Residential, (excl Wairarapa)	1.0
Residential (Wairarapa)	0.5
Wellington CBD Downtown area	8.0
Business / Urban (excl Wairarapa)	1.5
Business / Urban (Wairarapa)	1.0
Rural	0.25

In the past public transport rates they were allocated based on journey-to-work data from Census, and other factors. This change also means that valuation changes will affect public transport rates to a greater extent in future.

### *Flood Protection*

The proposal is to have:

- 70% rate funding from catchment.
- 30% rate funding from region.

This will shift a portion of rates from the general rate to the catchments where the benefits are provided.

(The current river management rates for river management schemes will not change, and will continue to provide 50% of the funding for each scheme. They will be re-named *Flood protection – property.*)

## **Components of rate changes tables**

The following tables show our calculations of the impact of these three components on the rates for an average value property in each city or district.

In 2018/19, the R&F policy changes are affected by the valuation changes in that year. However, we have held the valuations and ECV constant in the modelling for the 2019/20 and 2020/21 years. This means that the dollar impacts in 2018/19 are quite different from the impacts in the next two years.

The figures do NOT include GST.

The figures are not adjusted for the expected growth in the number of rateable properties each year.

Note that, for technical reasons, the figures are the district-wide rates only. They do not include:

- Pest rate
- River management scheme rates
- Catchment scheme rates (which are being re-named Land Management rates)
- Drainage schemes.

### *How to read these tables*

The first table is in four main sections

1. The first section shows the property information – the city or district, the rating category, the average CV for that category, and the rates paid in 2017/18.
2. The second section has the dark green headings. It shows the rates components and total for 2018/19, which is the first year of the proposed new policy.
3. The third section is the mid-green colour. It is for the second year of the proposed new policy, 2019/20.
4. The fourth section is light green, and is for the third year of the proposed new policy, 2020/21.

Each section shows how much of the total rate increase for the average property is due to the three main factors affecting rate changes:

- Actual and relative valuation changes
- Increased expenditure
- Revenue and Financing policy changes

At the bottom we have provided summary tables that show the regional rates components for all ratepayers within each city or district.

**Table 1 Components of rates changes, 2018-2021**

		2018 average CV	2017/18 rate	2018/19 change in rates due to each component \$				2018/19 proposed rate	2019/20 change in rates due to each component \$			2019/20 estimated rate*	2020/21 change in rates due to each component \$			2020/21 estimated rate*
				Actual and relative valuation changes	Increased expenditure	Revenue & Financing policy changes	Total		Increased expenditure	Revenue & Financing policy changes	Total		Increased expenditure	Revenue & Financing policy changes	Total	
<b>District wide rates per average property (ex-GST)</b>																
Wellington City	Regional CBD	2,311,957	8,606	12	393	-65	340	8,946	604	146	750	9,696	754	148	902	10,597
Wellington City	Business	2,033,088	1,709	-5	108	194	298	2,007	111	235	345	2,352	79	238	317	2,669
Wellington City	Residential	553,202	419	-6	31	10	35	454	24	22	45	500	7	22	29	528
Wellington City	Rural	759,576	401	-3	39	-7	28	429	18	7	25	454	-13	7	-6	448
Hutt City	Business	1,599,514	1,881	-16	141	34	159	2,040	197	-20	176	2,217	177	-21	156	2,373
Hutt City	Residential	474,462	519	2	42	-21	23	542	54	-37	17	559	42	-37	5	564
Hutt City	Rural	644,661	457	-4	47	4	48	505	56	-13	42	547	36	-13	23	570
Upper Hutt City	Business	1,652,081	1,849	24	115	-32	107	1,957	170	-63	106	2,063	138	-64	74	2,137
Upper Hutt City	Residential	413,369	449	-4	27	-35	-12	437	38	-42	-4	433	25	-43	-18	415
Upper Hutt City	Rural	676,085	404	17	35	-11	40	444	43	-18	25	469	18	-18	-0	469
Porirua City	Business	1,380,177	1,473	-2	87	-58	27	1,500	90	-63	28	1,528	63	-63	-1	1,527
Porirua City	Residential	492,556	491	1	31	-53	-21	470	27	-54	-26	444	12	-55	-43	401
Porirua City	Rural	1,005,537	520	11	50	-39	22	542	26	-29	-3	540	-11	-29	-40	500
Kapiti Coast District	Business	1,085,173	865	-86	51	105	70	935	65	88	153	1,088	59	89	148	1,236
Kapiti Coast District	Residential	534,845	342	12	23	21	56	398	27	13	40	438	18	13	31	469
Kapiti Coast District	Rural	735,445	392	-27	28	10	11	408	27	4	30	433	8	4	12	446
Masterton District	Business	792,535	388	-21	33	98	110	498	51	65	116	614	44	66	110	724
Masterton District	Residential	343,459	130	15	13	23	51	181	19	9	28	209	12	9	21	230
Masterton District	Rural	718,164	262	-1	28	39	65	327	36	14	50	377	21	14	35	412
Carterton District	Business	412,029	267	-45	19	42	16	282	25	23	48	331	24	24	48	379
Carterton District	Residential	351,266	160	15	15	16	45	204	18	-0	18	222	14	-0	14	236
Carterton District	Rural	866,562	331	0	34	42	76	407	38	11	50	457	26	12	37	494
South Wairarapa District	Business	668,521	413	-31	31	67	66	479	48	26	74	553	41	26	67	620
South Wairarapa District	Residential	405,194	179	33	17	17	67	246	26	-8	18	264	17	-8	9	272
South Wairarapa District	Rural	952,552	356	7	39	46	91	448	51	9	60	507	29	9	37	545
Tararua District	Rural	1,076,050	224	15	28	-10	34	258	9	0	9	267	-15	0	-15	252
District wide rates		594,513	596	-2	40	-0	38	634	46	0	46	679	34	0	34	713
<b>District wide rates requirement (ex-GST)</b>																
Wellington City	District wide	62,570,979		-522,010	3,766,758	869,655	4,114,403	66,685,382	3,944,071	2,483,330	6,427,401	73,112,783	3,175,444	2,516,633	5,692,076	78,804,860
Hutt City	District wide	23,454,231		75,950	1,891,746	-675,052	1,292,644	24,746,875	2,436,869	-1,386,058	1,050,811	25,797,686	1,955,811	-1,404,645	551,166	26,348,852
Upper Hutt City	District wide	8,387,211		43,194	524,614	-553,239	14,569	8,401,780	741,342	-694,938	46,405	8,448,185	493,477	-704,257	-210,780	8,237,404
Porirua City	District wide	9,886,889		74,298	638,958	-976,077	-262,826	9,624,063	560,098	-995,185	-435,087	9,188,976	241,730	-1,008,531	-766,801	8,422,174
Kapiti Coast District	District wide	9,327,068		78,599	633,409	605,351	1,317,359	10,644,427	729,070	397,393	1,126,464	11,770,890	481,226	402,723	883,949	12,654,839
Masterton District	District wide	2,243,226		95,786	228,434	380,817	705,037	2,948,263	315,905	156,921	472,826	3,421,090	202,473	159,025	361,498	3,782,588
Carterton District	District wide	1,093,953		42,089	109,395	131,953	283,437	1,377,390	127,083	28,645	155,728	1,533,118	90,261	29,029	119,290	1,652,409
South Wairarapa District	District wide	1,798,672		112,339	185,685	216,687	514,710	2,313,382	255,381	9,891	265,272	2,578,654	154,547	10,023	164,570	2,743,224
Tararua District	District wide	2,606		-240	280	-96	-56	2,550	88	0	88	2,638	-147	0	-147	2,491
District wide rates		118,764,835		0	7,979,277	-0	7,979,277	126,744,112	9,109,908	0	9,109,908	135,854,020	6,794,821	0	6,794,821	142,648,841

\*only models the change in forecast increased expenditure and revenue and financing policy changes. Movements in ECV and updated budgets will impact these figures in the 2019/20 and 2020/21 years

**Three year transition**

Council proposes to use a three year transition to move to the new policy, to balance the impacts on those who must pay more with the impact on those who will pay less. While we would like to provide a completely smooth transition, it is technically difficult to achieve for the following reasons:

In 2018/19, the size of the Revenue and Financing policy changes are affected by the valuation changes in that year. In the past public transport rates they were allocated based on journey-to-work data from Census, and other factors. This change also means that valuation changes will affect public transport rates to a greater extent in future.

We cannot foresee future changes to actual valuations and relative valuations, so the figures for 2019/20 rates are expected to change once that data becomes available in a year's time. For now, we have held the valuations and ECV constant in the modelling for the 2019/20 and 2020/21 years. This means that the dollar impacts in 2018/19 are quite different from the impacts in the next two years.