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Report to the Policy & Finance Committee
From: Ted Maguire, Council Secretary

2000/2001 Annual Plan Proposals – Indicative Rating Impacts

1. **Purpose**

To give Councillors some indication of the rating impacts of Budget proposals from Standing Committees and the Policy and Finance Subcommittee on regional rates in different parts of the Region.

2. **Background and Comment**

- (1) While I fully appreciate Councillors' desire to understand the impacts on WRC ratepayers of the recommended expenditure programmes, it is not possible to provide an accurate and authoritative statement of the rating impacts at this stage. I stress that **any figure provided now**, must only be regarded as **indicative**.

These estimates of rating impacts may prove to be reasonably accurate in some cases, but there will be others where the estimates will be very wide of the mark. For example, I am aware that the recent revaluation in Kapiti has resulted in dynamic changes to some rateable values in that district. This may have a significant impact on the amount of General Rate collected in the Kapiti Coast District

Because any estimates for the years beyond 2000/2001, would be highly unreliable, I have not attempted to provide these.

These indicative figures are based on **the rating valuations that applied for the 1999/2000 financial year**. They cover regional rates only, i.e. the General, Transport, Rivers and Stadium rates and exclude Biosecurity and Wairarapa Scheme rates.

(2) The approach in (2) is necessary because rating valuations which will apply to WRC rates for 2000/2001 rate are not yet available, these include;

(a) Equalised Capital Values

The **general rate** is apportioned between constituent districts on the basis of **equalised capital value**. This is because there is no rating roll across the region at a common date. The equalisation to be applied to 2000/2001 will be as at 1 September 1999. Provisional figures are expected to be supplied to us by around **11 March**. Because changes in the Rating Valuation Act mean that these figures must now be audited by the Office of the Valuer-General, final figures could be another month after that. (Last year's provisional figures were changed as a result of the audit).

The equalised value is applied to the total value of constituent cities and districts but **not** to individual property values. However, changes to City and District equalised values can cause rates on individual properties to change significantly even when rateable values of such properties have not changed.

(b) City and District Rateable Values

Three cities or districts within the region that are being revalued in 1999/2000 are:

Wellington City
Kapiti Coast District
Masterton District

The new Wellington City values have not been released as yet. My understanding is that they will become public in early March. The new values for Masterton District and Kapiti Coast District have been available for sometime but are subject to consideration of any appeals lodged by property owners. New values typically will see significant variations in valuation movement in different parts of a city or district and between different classes of ratepayers within it, e.g. residential, business, rural and lifestyle.

Wellington City, with around 61,300 ratepayers, makes up nearly 37% of the Region's rateable properties. Also it compromises some 52% of the region's capital value. There are likely to be significant variations in valuations within the Wellington City, but more importantly, changes to Wellington City's equalised value can have a substantial impact on other parts of the Region.

The final **net rateable capital values** on which the actual 2000/2001 rates will be based, will not be available until **mid-July**. The end of June up-date, typically adds new properties, building additions completed during the year and the like. In a high growth area, such as Kapiti Coast, such additions to the roll can have a material impact on rates payable by other properties.

- (3) While equalised values have no impact on the Council's works and Services rates (i.e. rates other than the general rate), changes in rateable values must certainly impact on the other rates made on a capital value basis. In general terms, ratepayers who experience valuation changes different to the market average movement, will experience above or below average rating changes too.
- (4) The summary table setting out indicative impacts on **average value properties** and per \$100,000 of residential rateable values for all properties is attached as **Attachment 1**.
- (5) While increased expenditure levels are the main factors in the changing rating impacts, there are other important considerations. These include:

- (a) The third and final stage of the introduction of new transport rate differentials, the areas that these impact on most are Porirua City and the Kapiti Coast District. It should be noted that for Waikanae ratepayers a larger increase results from the "rate holiday" they enjoyed last year as a result of being over rated in the previous year. The transport rate now recognises two areas of benefit for Kapiti Coast District:

- Waikanae – Paraparaumu – Paekakariki
- Otaki

Previously, all four Ward areas were separately rated.

Also, in Wellington City, businesses will be paying proportionally less for transport, while residential will be paying proportionally more.

- (b) For Upper Hutt City, it now transpires that the proportion of transport rates charged to business rate payers and to residential rate payers last year was incorrectly calculated (businesses were undercharged and residential was overcharged). This needs to be corrected this year.
- (c) The Wairarapa in particular, experiences a much smaller proportion of the transport rate bill. Hence, their overall increases more closely correspond to the recommended increase in the general rate (17.6%). However, it is anticipated

that the new equalisation could well reduce these impacts on parts of the Wairarapa.

- (6) Typically, publicity will focus on the percentage increase in rates (decreases may be ignored). Because WRC rates are on average around 20% of a rates bill (the balance is territorial authority rates) the actual dollar impact of WRC rates can be quite small. For example, a 12.6% increase in WRC rates, for an average Wellington City residential property would add about 60c a week or \$8.00 per quarterly instalment. This is less than the cost of a daily newspaper.

3. **Communications**

Appropriately qualified press releases can be provided and this summary information will be of some use to Councillors in dealing with public inquiries.

4. **Recommendations**

That the Policy and Finance Committee:

- (1) *Receives the report*
- (2) *Notes that actual rates made in levied for 2000/2001 for properties of average values may vary materially from these indicative estimates.*