Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

File ref: IRC-3153

14 April 2022

[redacted]

Kia ora [redacted]

Thank you for your request made under the Local Government Official Information and Meetings Act 1987 (the Act), received on 16 March 2022. The Council will respond to each of your questions individually.

Wellington City Council has **granted** your request for information.

1. **Why does Council determine that the 44% share paid by commercial ratepayers must be retained? Rates are determined by capital values, and if capital values for residential ratepayers have increased faster than commercial, then the established policy would mean residential ratepayers pay a greater share of rates (and therefore a larger increase in rates, given the larger increase in residential vs commercial)**.

On 8 March, the Annual Plan/Long Term Plan Committee resolved to maintain the percentage split of total general rates between Commercial and Base ratepayers, which is currently 44% and 56% respectively, and amend the general rates differential to achieve this. The rationale for this decision is clearly set out in the agenda for this meeting and can be found here. https://wellington.govt.nz/-/media/your-council/meetings/committees/annual-plan-long-term-plan-committee/2022/2022-03-08-agenda-apltp.pdf . This decision will ensure that rates for 2022/23 continue to be paid in the same proportion by each differential rating category. This is an approach that the Council has used frequently in the past to maintain the current proportions and ensure the balance of rates paid between residential and commercial ratepayers is fair and equitable.

2. **What is the empirical data that helped Council determine that this relative split is a legitimate choice (more than a simple assumption that relativity retains a kind of status quo)?**

The Council holds data on the capital value of all rateable properties and has evaluated the relative impact of different rate differentials for residential and commercial rate payers. Household income data and sector profitability is also used.

3. **If residential values have risen faster than commercial values, then a greater contribution from residential ratepayers is how the system is designed to work. The decision to change the multiplier is an intervention in this system. Does the Council intend to keep intervening and raising the multiplier?**

The current Long-Term Plan (including the revenue and financing policy) provides the ability for Council to review the differential annually. Refer to https://wellington.govt.nz/-/media/your-

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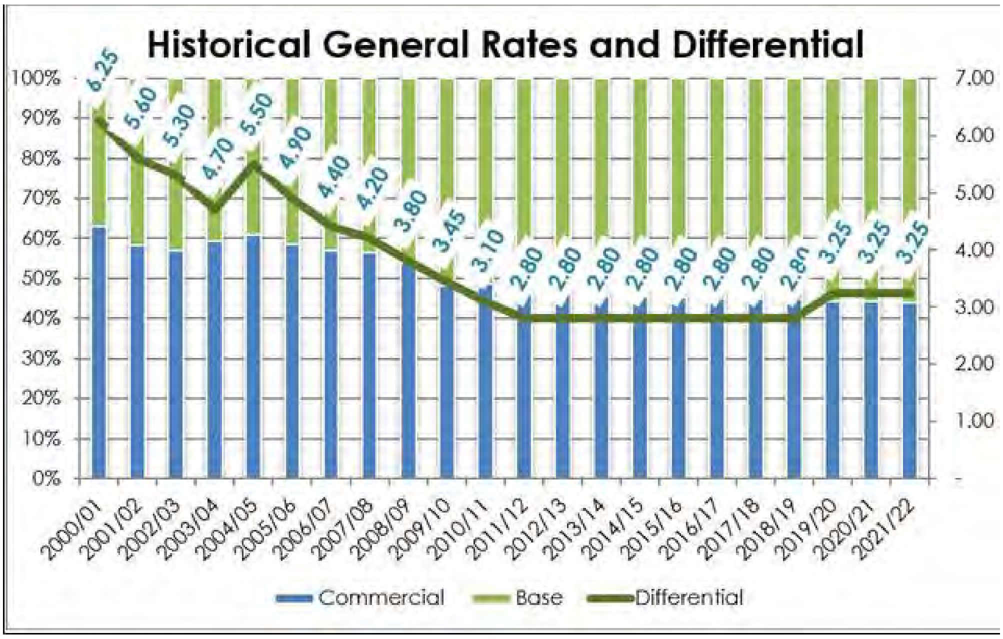
council/plans-policies-and-bylaws/plans-and-policies/longtermplan/2021-31/wcc-long-term-plan-2021-31-volume-2. (Page 17 General rates differential). As can be seen from the graph below, the Council, over many years, has frequently made changes to the rates differential and since 2013/14 these changes have been made to maintain the current 44%, 56% proportions. Future decisions, however, are for future Councils to make based on the circumstances at the time.



4. **The 2019 Productivity Commission report proposed that local government follow, in the first instance, a legislative principle that the burden of rates should be allocated in a way that reflects the level of benefits received by rate payers. What work has the Council done to understand and/or implement the Productivity Commission proposals? Please supply any papers or analysis.**

The Council sets its financial policies in line with legislation, not recommendations/proposals of the Productivity Commission. We do of course consider the recommendations of entities like the Productivity Commission as part of any review of our financial policies.

Our Revenue and Financing Policy determines who benefits from an activity and who pays. This was reviewed as part of the 2021 Long-Term Plan and was consulted on with the community and then adopted in June 2021. The agenda and minutes of the meeting can be found here [https://wellington.govt.nz/your-council/meetings/committees/council/2021/06/30.](https://wellington.govt.nz/your-council/meetings/committees/council/2021/06/30)

You can find the policy online, please click on the link - https://wellington.govt.nz/your-council/plans-policies-and-bylaws/policies/revenue-and-financing-policy

5. **The risk of negative impact on business activity in the city where the rates burden is higher than other cities, particularly those in physical proximity to Wellington, is not acknowledged in the Long-Term Plan. Lower Hutt, Porirua and Upper Hutt stand to benefit from a rates environment that is unattractive to businesses considering where to operate. We would like to see evidence where this risk was considered and analysed?**

The Council adopted its Long-Term Plan last year which included an assessment of affordability at the time. This year's Annual Plan maintains the current proportions in relation to commercial and residential rates.

The Long-Term Plan and related policies and background information can be found on the Wellington City Council's website as per the above links.

6. **If current proportions between ratepayers and commercial were distorted in future, such that commercial rates equity were to increase, then we seek confirmation that a re-balancing would occur at that point? Would commercial ratepayers see the differential reduced if commercial property values increased faster than residential?**

Refer to response to Question 3.

7. **What is the policy rationale for the higher differential compared to other main centres in New Zealand?**

Wellington City Council has a unique demographic. It is much smaller in size than other main centres in New Zealand (e.g. Auckland or Christchurch) and experiences a significant influx of commuters from other cities around. The commuters use the infrastructure provided, yet do not pay any user fees or residential rates in Wellington. To account for this the commercial rates differential is higher in Wellington than other councils that have a smaller number of commuters from bordering councils.

8. **Why does Council view it as prudent and justified to ignore the relative increase in values that help determine rates? Considering the fall in relative commercial property values is a market signal that business is struggling, what definitive benefits are businesses receiving to justify the increase?**

It is important to emphasise that increasing the differential does not mean that businesses pay for a larger share of the rates increase or have their rates grow more than residential property owners. This year's Annual Plan maintains the current proportions in relation to commercial and residential rates.

9. **What further services do Wellington business have access to over and above Auckland and Christchurch that justifies so much more of the burden?**

See answer to Q7.

Right of review
If you are not satisfied with the Council's response, you may request the Office of the Ombudsman to investigate the Council's decision. Further information is available on the Ombudsman website, www.ombudsman.parliament.nz.

Please note, we may proactively release our response to your request with your personal information removed.

Thank you again for your request, if you have any questions, please feel free to contact me.

Kind regards

Asha Harry
Official Information