

# LTP 2024-34 Revenue and Financing Policy

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27 November 2023 LTP/AP subcommittee meeting

# Two Step process

All Councils must follow the two-step process required by the Local Government Act. The Revenue and Financing Policy must be reviewed every three years. The 'two-step' review process is required for funding all activities.

## Step One:

### For each activity consider:

- the community outcomes the activity promotes (and how the funding arrangements support that)
- who benefits from the activity
- whose actions created the need for expenditure
- the costs and benefits of funding the activity separately.



## Step Two:

### Taking the completed results from Step One, consider:

the overall impact on the social, economic, environmental and cultural well-being of the community.

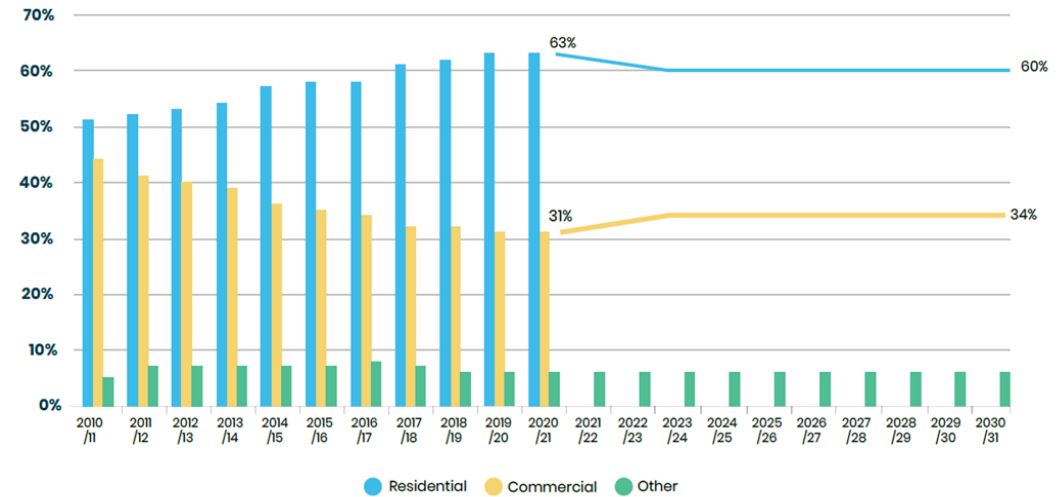
**This is where Council must use judgement**



# Background LTP 2021-31

A comprehensive rating policy review was done in 2020/21 for LTP2021 following significant change in 2019 property value review. Rates affordability was a key concern for Council. Council considerations also included the impacts of COVID-19, development and growth in the city, economic indicators and the impacts on the wellbeing of the community.

Following a formal public consultation, the following changes were approved by Council and took effect 1 July 2021:



Move from a fixed multiplier (i.e. commercial properties will pay \$3 for every \$1 a residential property pays) allocation to a percentage allocation of the general rate

Residential allocation of general rate to reduce from 63% to 60% over three years

The commercial sector allocation to increase by 3% during that time

Queensgate included in the commercial central category

# Property categories and CV changes

Property value review must be done every three years.

Main categories	2016 CV change	2019 CV change	2022 CV change
<b>Residential</b>	24.2%	31.8%	31.2%
<b>Commercial</b>	9.9%	16.9%	30.6%
<b>Industrial</b>	19.6%	38.7%	50.5%
<b>Lifestyle</b>	13.8%	29.8%	41.8%
<b>Utilities</b>	7.6%	12.8%	25.2%
<b>Average change across all property types</b>	21.3%	30.3%	32.7%

**2019** change variance = wider

Commercial category up 16.9%

Residential category up 31.8%

Informed a full rating policy review for LTP21.

**2022** change = tighter

Commercial category up 30.6%

Residential category up 31.2%

In 2022 property value review, the % share of each category has changed.

Residential and commercial central have dropped and commercial suburban has increased.

Category	Percentage of the city's capital value		Percentage change
	2022-23	2023-24	
<b>Residential</b>	81.43%	80.68%	-0.75%
<b>Commercial central</b>	3.30%	3.02%	-0.28%
<b>Commercial suburban</b>	10.99%	12.10%	1.11%
<b>Utility networks</b>	2.43%	2.24%	-0.19%



# Further analysis of commercial CV change

Increase in commercial suburban – two new industrial developments in Bouverie Street and Tunnel Grove contributing to this.

Decrease in commercial central – average increase for this group 28.03% but Queensgate had a reduction. Significant property which has a direct impact on the other ratepayers in this group.



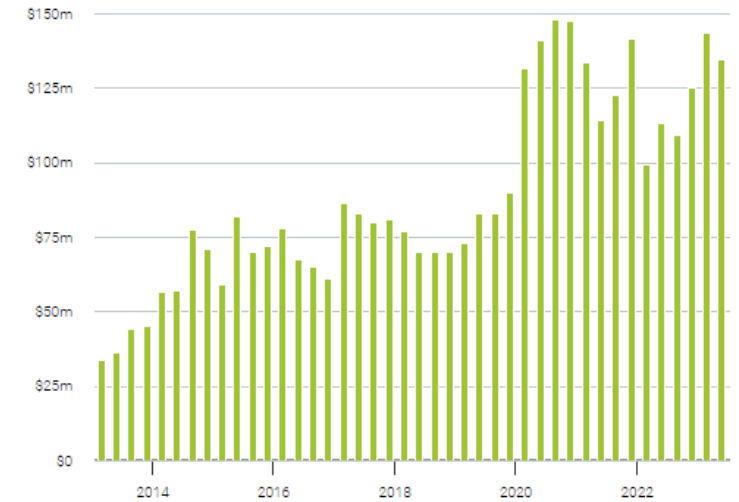
# Development and growth in the city

A range of economic indicators are available to consider:

- The value of non-residential building consents in Lower Hutt was \$134.7M in the year to June 2023 – an increase of 18.8% over the year compared to a year earlier
- The number of residential building consents issued has dropped most recently following a very strong period for consenting between mid 2021 and mid 2022.

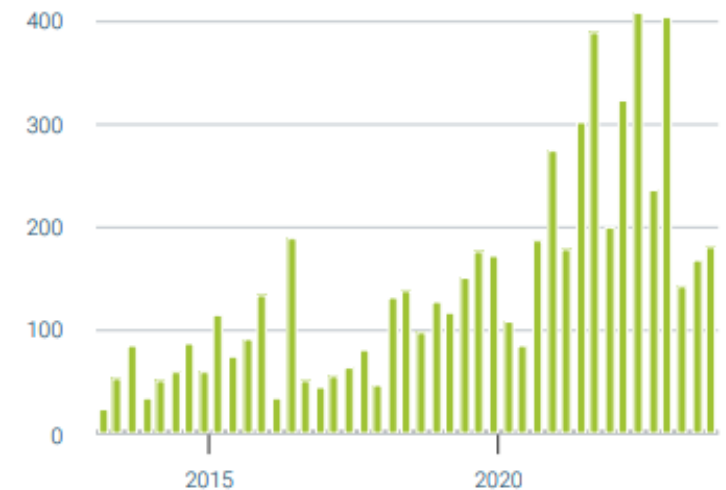
**Non-residential consents, Lower Hutt City**

Annual running total, Lower Hutt City



**Residential consents**

Quarterly number, Lower Hutt City

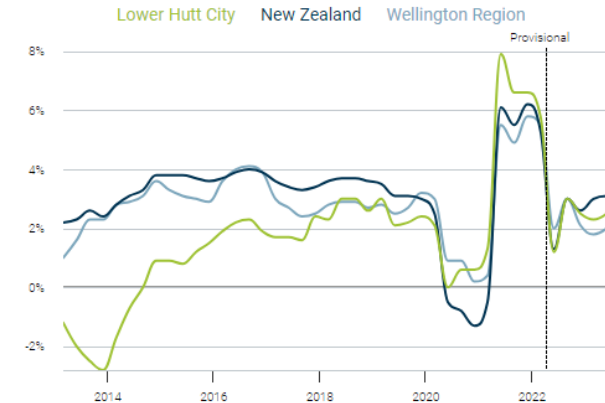


A range of economic indicators are available to consider, including:

- Consumer spending increased 5.7% compared to a year earlier
- The current average house value has decreased 17.6% compared to a year earlier.
- High cost of living – increased 7.2% in the year to 30 June 2023.
- Annual rate of inflation as at 30 June 2023 6.0%.

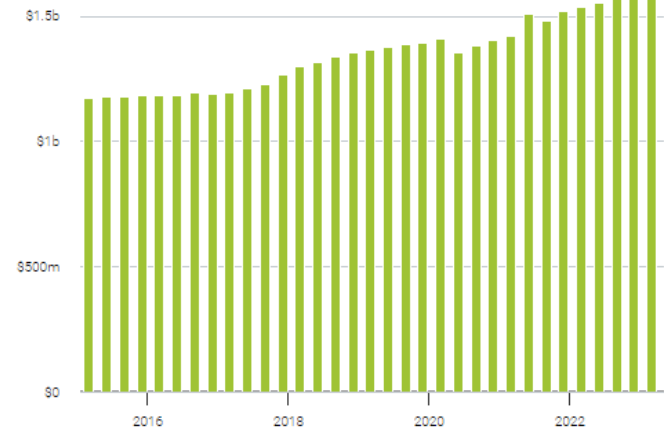
Gross domestic product growth

Annual average % change



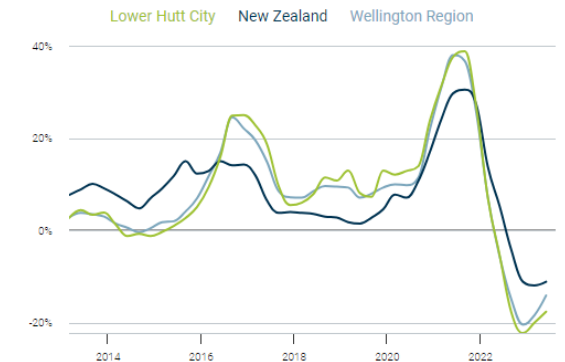
Consumer spending

Annual level, Lower Hutt City



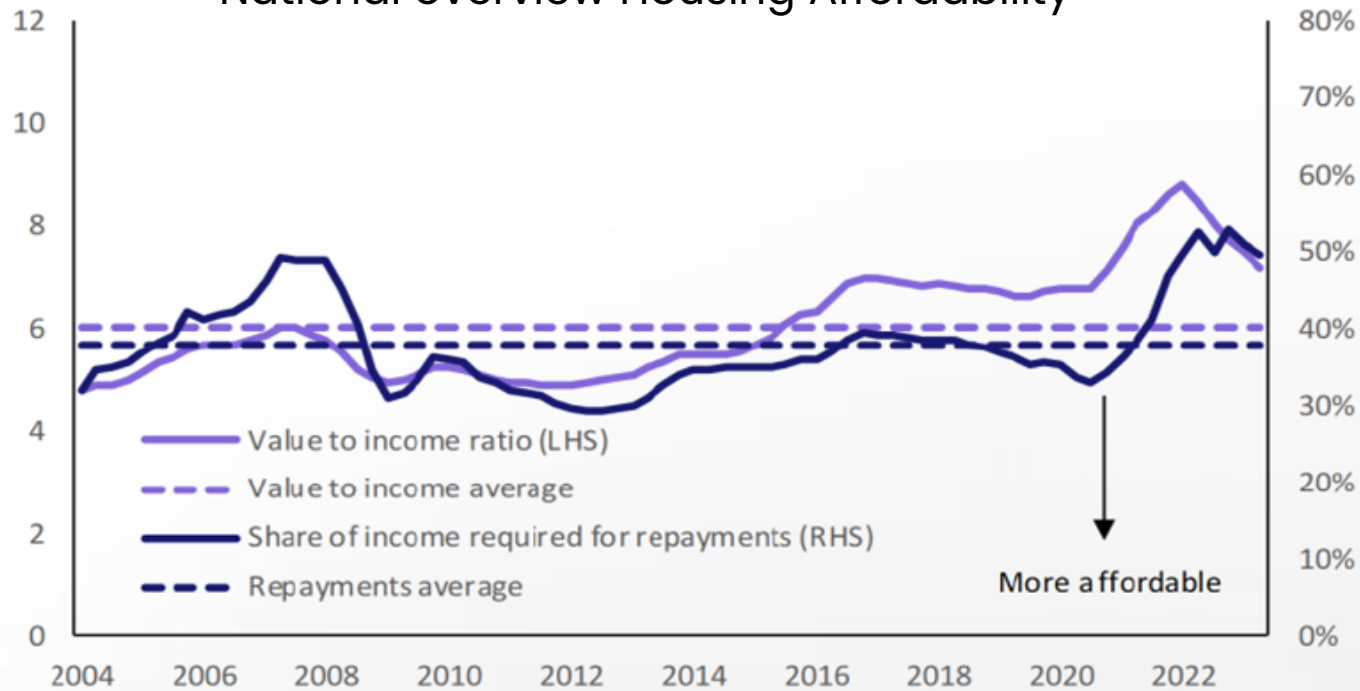
House value growth

Annual % change



# Housing Affordability

National overview Housing Affordability



- Housing affordability has most recently improved slightly (a lower number means more affordable)
- But this was from a very stretched position in 2022
- Inflation and cost of living remains the no. 1 issue for New Zealanders (source Ipsos NZ issues monitor).



# What is being proposed

To provide stability and certainty for all ratepayers, we are proposing to keep the overall general rate allocation the same as AP24 and to make small changes within the commercial allocation to reflect the changes in those categories.

Differential category	Annual Plan 2023-24	Differential 2023-24	Proposed % draft Long Term Plan 2024-2034	Differential calculated based on proposed percentages
Commercial central	8.0%	3.455	7.7%	3.416
Commercial suburban	25.3%	2.817	25.4%	2.815
Utility	5.4%	3.293	5.6%	3.353
<b>Total Commercial</b>	<b>38.7%</b>		<b>38.7%</b>	
<b>Residential</b>	<b>60%</b>	1.000	<b>60%</b>	1.000

