

Porirua Chamber of Commerce Submission
to Porirua City Council
on its 'Rating', and 'Revenue and Financing' Policy
Pre-Consultation for the Long-Term Plan 2021-51
1 November 2020

ABOUT THE CHAMBER

The Porirua Chamber of Commerce (the Chamber) is a business membership association and represents Porirua's Business Community, of which there are over 4,400 business units operating in our city. Our mission is to promote the business community by advocating policy and supporting businesses to enable them to invest, employ, and grow. We want to see a Porirua business community that is vibrant and prosperous – what this means in a COVID-uncertain world will be quite a different challenge but also presents opportunities.

OVERVIEW

The Chamber welcomes the opportunity to submit on Porirua City Council's (the Council) proposed Rating Policy and Revenue and Financing Policy.

As a representative of businesses in the Porirua region, all of whom are facing the immense challenges brought on by COVID-19, the Chamber has a significant interest in the proposed policy changes. Earlier this year we support the Council's proposal to provide the business sector with rate relief from the immediate financial burden for the 2020/21 financial year. Providing Porirua businesses with their best opportunity to survive this year, keeping locals employed and the city moving, is paramount.

OVERVIEW AND COMMENT

The Council is undertaking a review of the Rating Policy, as well as the Revenue and Financing Policy, as part of the LTP process and in accordance with s102(1) & 103 of the Local Government Act 2002.

Rating Policy changes

As part of the previous 2018 LTP process, Council agreed to make changes to the rating differentials and introduce a city development rate (replacing the previous city centre development rate), which may be described in some ways as a 'rates switch'. It was agreed that this would be phased in over six years. However, this current consultation recommends changes to the agreed timeframes.

The Council's preferred rating option would accelerate the phasing of the differential shift more quickly by implementing more quickly the planned decrease to the business rates differential, from 2023/24 to 2021/22. The proposal means the rating differential will reduce for business (excluding motels) from 3.25 to 3.1, aligning the differentials to businesses and the city plaza at the same rate. The favoured option from Council officers would mean, as we understand it, a result in smaller total rate increases for businesses of 3.48%, rather than 5.29% as well. The council's preferred option also includes introduces a new targeted rate to fund repairs to private stormwater and wastewater pipes. The inclusion of the targeted rate has no financial impact as is an individual user pays scheme, and as such the Chamber has no comment to make on this, except that the use of user pays is thoroughly supported as a general principle.

The Council's consultation material sets out the narrative for the rationale, which is two-fold; first that the activity under the targeted city development rate has been 'under recovered' (as we interpret this means it has been overspent because of "cost escalation and changes to budget funding requirements" meaning general rates are required to cover the shortfall); and that secondly, Porirua has seen significant changes to the capital valuations of the City's assets as part of its three-yearly review by Quotable Value, which has influenced the proportionate share of each rating categories, and that the recent 2019 revaluation saw commercial values increase far less than residential properties.

The Council believes that the ability of the business sector to absorb the phasing of the final three years in one year has never been stronger. While this is true to say based on valuations alone, we would note some caution around this. We note that nowhere throughout the material is there mention of the current global pandemic and the current COVID economic impacts, for both commercial and residents. There is an intimation that motels differential ought to continue to remain distinct, and therefore lower than the rest of the business community due to "not being fully occupied" and we assume this could indeed be a thinly veiled reference. We would strongly encourage officers to ensure any policy changes or future consultations, in particular the upcoming LTP, acknowledges and considers explicitly the impact of the ongoing COVID situation as part of the considerations.

We must also note our strong concerns that the driving reason for this is that Council's activities, concerning the City Development rate, appear not to have been managed within the fiscal envelopes intended. There is little detail provided beyond the reason given "as a result of cost escalation and changes to budget funding requirement". Under recovering due to cost blowouts of projects ought not to be a driving reason to accelerate a rate switch shift. In saying this, a fiscally neutral adjustment seems sensible. The Chamber would oppose any new or additional rates impost on the commercial ratepayer at this time.

The Porirua Chamber of Commerce therefore supports the recommendation from officers. We acknowledge that the staged approach was originally designed to realign the current

differential settings to reflect how rates are charged and the benefits received. We agree with the Council officer’s assessment, given the context, option 4 provides parity in a timely manner to reach the desired outcomes and addresses the overall impact on the community and the distribution of benefits.

We note that this will, however, accelerate the increase of operating costs of shopping plazas differential group, at a time where absorbing additional impost may be difficult for occupying businesses who themselves shoulder the cost. We are concerned about how this will be afforded. We would support an option that smoothes this if possible. However, we support the principle of the rationale, that evening out and applying the same differential across all business rating groups provides fairness and equity within the commercial sector, as well as providing a commercial rating structure that is comparable with other councils across the region. The intent of the shopping plaza’s differential staged changes was to equalise the differential basis of the commercial sector to provide parity. The shopping plazas differential group has enjoyed a 20% lower differential than the rest of the business differential group.

2021/22 Rating Year - Year 1: Long Term Plan 2021:					
	Residential	Rural	Business	Shopping Plaza	Motel
Option one					
Status quo	4.67%	7.56%	5.29%	9.20%	4.52%
Option two & four *					
Acceleration to Year 6 differential	Increase 0.05%	Increase 4.21%	Decrease 1.81%	Increase 5.99%	Decrease 0.66%

* The new targeted rate to fund repairs to private stormwater and wastewater pipes has no financial implications on rate increases to category groups as it is a user pays scheme and as a result the average rate increases for option two and four are the same.

Rating and Revenue Policy

The Revenue and Financing Policy is a requirement of the Local Government Act 2002 (LGA) to provide predictability and certainty about the Council’s sources and levels of funding for operating and capital expenditure. The consultation material provides a review of the activities and proposes changes to the Policy, including modification of names and descriptions of activity groups to reflect best practice; inclusions of new activity groups which reflect changes to Council practices or new initiatives of the Council since the 2018 LTP. The Chamber supports the new activity of “strategic investment” and looks forward to further engaging with the Council on these activities through the LTP process later next year.

WEBSITE QUESTIONNAIRE RESPONSES AND RECOMMENDATIONS

Question 1: Please select the rating category your submission relates to:

Primarily the Chamber has an interest in the commercial rating category but also shares the interest in both Motels and the Shopping Plazas, given the commercial considerations of these two categories – as they are also businesses.

Question 2: Do you support the proposed amendments?

The Chamber broadly supports the proposed amendments; however, we would note there are further considerations we would recommend the Council turning its mind to. We have, as outlined above, concerns about how the need arose that requires the justification. The Chamber appreciates the need for, and agrees with, the increase for the targeted development rate, as it ensures that wider Porirua does not cover the cost of the targeted and intentioned rating category activities. However, as the Chamber has recommended Council must ensure a fully-informed decision is made, it is imperative that questions are asked about how the overspend came about, and changes put in place to mitigate this in future activity. We are also mindful of the current COVID context and encourage officers to ensure that any COVID impacts are considered in future consultations.

The Chamber supports the rating differential reducing for commercial ratepayers, business (excluding motels) from 3.25 to 3.1, and aligning the differentials to businesses and the city plaza at the same rate. We also support the smaller total rate increases for businesses of 3.48%, rather than 5.29% as well.

Recommendation: that Council ensures that the overspend of the targeted rate activities, which have given rise to the need to phase in the differentials more quickly, are fully considered and assurances given that cost overruns were unavoidable, and further they are mitigated for any future projects.

Recommendation: that Council ensures that for the foreseeable future any consultation or policy documentation includes the current COVID-uncertain context, and impact of this on the proposals being considered, either positive or negative.

Question 3: Please select your preferred option and provide some reasons why:

For the rating policy, the Chamber supports the recommended option, option four.

For the revenue and financing policy, the Chamber supports the recommended and only option put forward option one.

Given this is a pre-consultation exercise, the Chamber looks forward to further consultation on these matters as part of the LTP consultation process in the near future.