

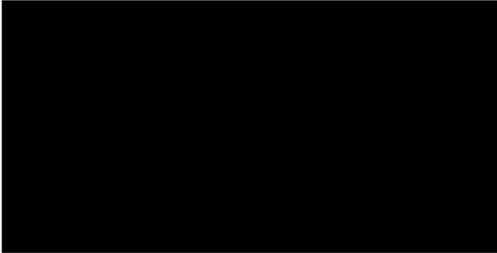


Ref: [REDACTED]

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23 August 2022

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Dear [REDACTED]

### **OFFICIAL INFORMATION REQUEST FOR NELSON CITY COUNCIL RATES INQUIRY**

I refer to your official information request received 1 August 2022 regarding Nelson City Council rates and borrowings.

Specifically, you have requested:

*Request 1: the average percentage rates increase this year for residential properties and the average increase for commercial properties in the Nelson City Council area.*

*Request 2: At the end of the 2020 /21 year, the Council had total borrowings of \$105,750,000 (\$5,750,000 as current liabilities and 100,000,000 as non-current).*

- 1. What the average interest rate is on these borrowings?*
- 2. How much of these borrowings are on a fixed interest rate and how much on a floating interest rate?*
- 3. How the above interest rates (in question 2) are affected by changes in the OCR (Official Cash Rate) and CPI (Consumer Price Index)?*
- 4. Who is the main determinate of any interest rate changes and what is most likely to cause any changes in forecast interest rates?*

Thank you for this request. Please see our responses below:

**Request 1:** *the average percentage rates increase this year for residential properties and the average increase for commercial properties in the Nelson City Council area.*

- The average Residential rates increase for Nelson City Council for 2022/23 is 6.44%
- The average Commercial rates increase for Nelson City Council for 2022/23 is 2.83%

The above percentage figures include the effects of the 2021 revaluation of Nelson City and Council's decision to decrease the total amount of rates paid by the commercial sector by 0.5% a year. The reduction of the amount paid by the commercial sector commenced in 2018 and under Council's Long Term Plan is expected to continue for the next few years but is subject to Council's yearly plan and rates resolution adoption.

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The average residential rates increase also includes the 0.5% rates move from commercial to residential along with the effects of the percentage movement of all the rates fixed charges, eg Stormwater / Flood Protection etc.

**Request 2:** *At the end of the 2020 /21 year, the Council had total borrowings of \$105,750,000 (\$5,750,000 as current liabilities and 100,000,000 as non-current).*

1. *What the average interest rate is on these borrowings?*

- For the year ending 30 June 2021, the weighted average interest rate was 0.94%. This represents the average interest rate on short term and long term borrowings but excludes swaps.

2. *How much of these borrowings are on a fixed interest rate and how much on a floating interest rate?*

- We have a total of \$5 million borrowed on **fixed** rate with the remaining on **floating** rate. However, Council has entered into an interest rate swaps to minimize the interest rate risk associated with floating rate bonds and as at 30 June 2021, Council had a live swap portfolio of \$70 million.

3. *How the above interest rates (in question 2) are affected by changes in the OCR (Official Cash Rate) and CPI (Consumer Price Index)?*

- The movement in the OCR and credit margins will have a direct impact on the interest cost mentioned above. As the Reserve Bank is using OCR as a tool to control inflation, CPI will have an impact on the interest rate as well.

4. *Who is the main determinate of any interest rate changes and what is most likely to cause any changes in forecast interest rates?*

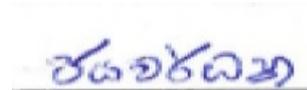
- Generally it is the Reserve Bank of NZ who impact interest rates in New Zealand.

I trust the above answer your queries satisfactorily.

You have the right to seek an investigation and review by the Ombudsman of this response. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or Freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact me directly.

Yours sincerely



**Prabath Jayawardana**

Manager Finance

Kaiwhakahaere Pūtea