



BULLER
DISTRICT COUNCIL
Te Kaunihera O Kawatiri

Council Copy

Rating Review Project - 2018/2019

Workshop 1:
Wednesday 30 May 2018
1:00pm - 4:00pm

to be held at the:
Clocktower Chambers
Palmerston Street, Westport

RATES REVIEW PROJECT - 2018/2019

WORKSHOP: 30 May 2018

Item No 1

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RATES REVIEW 2018/2019: WORKSHOP 1

INTRODUCTION

In the first workshop Councillors will start to direct the formation of a rating policy which may be adopted for community consultation from February 2019 onward as this is the time when the next Annual Plan is prepared.

WHAT IS THE WORKSHOP TO ACHIEVE AS PER COUNCIL'S AGREED WORKPLAN:

Item 1: Overview of the existing rating system and gaining understanding of the results it produces, and why.

Item 2: Confirm the rating principles which are to be used for the draft rating model.

Item 3: Agree the rating tools that will be used for Council Activities which are currently rated for using general rates, either

- (a) General Rates – in the cases where the community as a whole should pay for a service; or
- (b) Targeted Rates – in the case where a particular activity or group of activities are to be funded by some, not all ratepayers, or some categories of ratepayer should pay a different amount than others.

Item 4: As Per the Council discussion at the last council meeting the workshop is also covering:

- (a) It was proposed a small Councillor working group (to assist the rates team advance between workshops, directing workshop material and to provide steering for workshops) be formed. If so who will participate? And what will the working group directives be/delegations be?

The next workshop includes deciding categories of ratepayers, and will UAGCs be per SUIP and how will the value be decided.

SOLGM recommends..... "A rating review ends with setting a form of tax so the process and procedures you use to do this must meet the highest standards of administration. Considering what is appropriate when allocating rates must be legally compliant. Also that "fairness and equity" are often used as grounds for having a rating review, but the counter argument is that there's no such thing as a fair tax and one person's equity is another's inequity. Rather than considering fairness and equity, SOLGM recommends that elected members should focus on whether the rates are appropriate".

Item 1: Overview of the existing rating system and gaining understanding of the results it produces, and why?

Outcome required for this task: Information and discussion

Time allowed: 30 minutes

Taking into account previous consultation, and at the direction of Elected Members this stage of the review is to complete modification and improvement of the general rates portion only of the rates system and the review will not consider the targeted rates portion, those being the fixed targeted rates charged for water, sewerage and solid waste/recycling.

The current rating system is a combination of ad-hoc decision making, yield based general rating irrespective of a category of ratepayers change in land value, and yield based general rating irrespective of the change in numbers of ratepayers in a category. Each category of ratepayer (we have 43) pays an individual differential and contributes a different yield.

The current system is not principles based, or based on any recorded rationale, nor does it have a clear and logical link to the intent and purpose of The Local Government (Rating) Act 2002. The current rating system is unwieldy to administer and the results it generates are unexplainable to ratepayers, and to elected members.

Refer to **Attachment 1** for details about the differentials, their locations and the percentage difference these pay between all 43 categories of ratepayers.

All of the data presented to you in **Attachment 1** is based on the (rating) Funding Impact Statement included in the 2018-2019 Long Term Plan (currently at draft/consultation).

Why the current system generates these results - it is not fit for purpose.

- It is too detailed, where one small oversight could render the rating policy invalid and subject to challenge.
- It is open to interpretation challenges (and quite often is - which takes up staff time).
- While there may have been genuine reasons to alter the incidence of rates by changing differentials in the past, as the land use and value of land has changed and these differentials in some cases have not been re-adjusted, so the rating policy is out of date.

Item 2: Confirm the rating principles which are to be used for the draft rating model

| | |
|--|--|
| Outcome required for this task: | Direction for Draft Rating Policy Review |
| Time allowed: | 30 minutes |

The previously established Rating Principles are:

| Principles with greater weighting. | Pros for including this principle | Cons for including this principle |
|--|---|---|
| <i>A good rating system...</i> | | |
| <i>...should produce consistent results for similar ratepayers</i> | Appropriate | Will reallocate existing rates and some ratepayers will be concerned with rate rises |
| <i>...should strike the right balance between benefits received and requirement to pay</i> | Highly important to understand what the Council activities are that are funded by the general rate. Once understood, the argument that the benefits are not the same for some ratepayers therefore they should not be paying the same is defunct. This assists decision on what rating tool to use. | Some ratepayers will not realise general rates fund all of the activities which benefit the community as a whole. |
| <i>...should be equitable to all taking into account the benefit available</i> | Appropriate. | Will reallocate existing rates and some ratepayers will be concerned with rate rises |
| <i>...will be progressive to recognise different abilities to pay</i> | General Rates are a tax. Those with higher value taxable pay more and this should be explicit. | Some ratepayers do not agree general rates are a tax therefore will not accept ability to pay is relevant |

| Principles with lesser weighting. | Pros for including this principle | Cons for including this principle |
|---|--|--|
| <i>A good rating system...</i> | | |
| <i>...will recognise that rates are a tax not a user charge</i> | Target Rates are more aligned to user charges and General Rates are a tax. Those with higher value taxable pay more and this should be explicit. | Some do not understand rates are a tax and prefer that flat charges apply to everyone. |
| <i>...should be simple</i> | Appropriate | Will reallocate existing rates and some ratepayers will be concerned with rate rises |
| <i>...should be easy to understand</i> | Appropriate | None noted |
| <i>...should be low cost to administer</i> | Appropriate | None noted |

Ensuring there are some guidelines (in the form of rating principles) is essential in setting well-considered and methodical rating policy. It is not recommended to continue with review of the rating policy in the absence of principles or a guiding framework.

Item 3: Agree the rating tools that will be used for Council activities which are currently rated for using general rates, either:

- (a) General rates: in the cases where the community as a whole should pay for a service; or
- (b) Targeted rates: in the case where a particular activity or group of activities are to be funded by some, not all ratepayers, or some categories of ratepayer should pay a different amount than others.

| | |
|--|--|
| Outcome required for this task: | Direction for Draft Rating Policy Review |
| Time allowed: | 1 hour 30 minutes |

Council charges two “types” of general rates in 44 different ways. 1 is the UAGC (which will be considered in the next workshop). The other 43 is by 43 different rates in the dollar to fund the Council activities that the community as a whole pay their share.

Our brief review of 26 rural councils in NZ shows Buller has the most differentials. A number of rural councils have a very small number of differentials and charge some activities as progressive target rates. A copy of the “*How Do Rural Councils Set Their Rates*” summary is attached as **Attachment 2** to this paper.

Attachment 3 to this paper shows Bullers’ annual spending and the attributed activities which rates fund. A review of **Attachment 2** and **Attachment 3** shows that Buller could choose to rate some activities as progressive target rates instead of all activities being included in the general rate. The key discussion for this section of the workshop is for Council to direct if:

- 1. Council will retain the existing practice of rating ALL council activities (excluding water, sewer and solid waste which are target rates) as one land based general rate.
- or
- 2. Council will charge water, sewer and solid waste as flat/uniform charges and General rates will be set the following activities ??? and will be based on land value.

Progressive target rates will be set for the following activities ??? and will be based on capital/land value.

Staff guidance

General rates are appropriate for funding activities or providing services where there is a significant public good element or the benefits are for the wider community. General rates can also be appropriate in situations where funding a capital project, where imposing the cost on those who would benefit from the project, would otherwise place too great a burden on them.

Local authorities can set general rates either as a uniform or differential rate on property value (land, capital or annual value) and/or a Uniform Annual General Charge (UAGC) on a fixed amount per rating unit or SUIP but there is a 30% cap on flat or fixed rates that must be legally adhered to.

Targeted rates may be used to fund specific Council activities. Targeted rates are appropriate for services or activities where a specific group of ratepayers benefit from that service or where the revenue collected is targeted towards funding a specific type of expenditure.

Item 4: As per the Council discussion at the last Council meeting, the workshop is also covering:

- (a) It was proposed a small Councillor working group (to assist the rates team advance between workshops, directing workshop material and to provide steering for workshops) be formed. If so who will participate? And what will the working group directives be/delegations be?

Outcome required for this task: Decision

Time allowed: 15 minutes

ATTACHMENT 1: Differential analysis

| | | Differential cents per dollar of Land Value | Amount of General Rates paid per \$10,000 Land Value (including GST) | Estimated Average Land Value for ratepayers in this category at current valuation: | Average General Rates paid per property in this category: | Differential Percentage More or Less than the "standard" rate in this category: | If BDC had a differential of 1, it would be 0.56113. Percentage More or Less than this: |
|--|---|---|--|--|---|---|---|
| RESIDENTIAL (less than 4000m²) | | | | | | | |
| 101 | Any other not included 102 to 115 | 0.38480 | \$38.48 | \$37,138.97 | \$142.91 | -68% | -31% |
| 102 | Millerton & Stockton areas, plus Snodgrass | 0.30224 | \$30.22 | \$53,264.86 | \$160.99 | -75% | -46% |
| 103 | Little Wanganui Subdivision, Conns Creek, Seddonville and Mokihinui areas | 0.40933 | \$40.93 | \$56,034.95 | \$229.37 | -66% | -27% |
| 104 | Inland of the State Highway at Hector/ Ngakawau/Granity, plus Waimangaroa | 0.39740 | \$39.74 | \$47,153.95 | \$187.39 | -67% | -29% |
| 105 | Seaward side of State Highway at Hector/ Ngakawau/Granity | 0.27888 | \$27.89 | \$61,865.93 | \$172.53 | -77% | -50% |
| 106 | The bulk of Westport excluding 107 | 1.22014 | \$122.01 | \$51,741.10 | \$631.31 | 0% | 117% |
| 107 | The area of north Westport (by the sea) and around Orowaiti Road | 0.97757 | \$97.76 | \$65,911.56 | \$644.33 | -20% | 74% |
| 108 | Carters Beach excluding Marine Parade and Elley Drive | 0.77640 | \$77.64 | \$77,520.33 | \$601.87 | -36% | 38% |
| 109 | Marine Parade & Elley Drive at Carters Beach | 0.67406 | \$67.41 | \$100,216.67 | \$675.52 | -45% | 20% |
| 110 | South of the Buller River through to Totara River but not including 108, 109, 112 | 0.71647 | \$71.65 | \$89,640.00 | \$642.24 | -41% | 28% |
| 111 | South of Totara River but not townships of Charleston or Punakaiki | 0.23749 | \$23.75 | \$116,660.00 | \$277.06 | -81% | -58% |
| 112 | Omau and Tauranga Bay | 0.48047 | \$48.05 | \$190,463.41 | \$915.13 | -61% | -14% |
| 113 | Charleston township | 0.46097 | \$46.10 | \$48,235.34 | \$222.35 | -62% | -18% |
| 114 | Punakaiki township | 0.53497 | \$53.50 | \$135,010.53 | \$722.26 | -56% | -5% |
| 115 | Reefton township | 0.85561 | \$85.56 | \$33,872.76 | \$289.82 | -30% | 52% |
| MULTI-RESIDENTIAL | | | | | | | |
| 121 | Any other not included in 122 to 126 | 1.21223 | \$121.22 | \$44,000.00 | \$533.38 | -55% | 116% |
| 122 | Little Wanganui Subdivision | 0.77422 | \$77.42 | \$67,000.00 | \$518.73 | -71% | 38% |
| 123 | Westport | 2.69667 | \$269.67 | \$58,650.00 | \$1,581.60 | 0% | 381% |
| 124 | Punakaiki | 2.64341 | \$264.34 | \$155,000.00 | \$4,097.28 | -2% | 371% |
| 125 | Any other south of Buller excluding Punakaiki | 1.41577 | \$141.58 | \$76,625.00 | \$1,084.83 | -47% | 152% |
| 126 | Reefton | 2.08092 | \$208.09 | \$40,833.33 | \$849.71 | -23% | 271% |

ATTACHMENT 1: Differential analysis

| | | Differential cents per dollar of Land Value | Amount of General Rates paid per \$10,000 Land Value (including GST) | Estimated Average Land Value for ratepayers in this category at current valuation: | Average General Rates paid per property in this category: | Differential Percentage More or Less than the "standard" rate in this category: | If BDC had a differential of 1, it would be 0.56113. Percentage More or Less than this: |
|--|---|---|--|--|---|---|---|
| COMMERCIAL | | | | | | | |
| 131 | Any other not included in 132 to 140 | 1.87390 | \$187.39 | \$83,125.00 | \$1,557.68 | -55% | 234% |
| 132 | Mokihinui River through to Orowaiti River | 1.10965 | \$110.97 | \$47,645.16 | \$528.69 | -74% | 98% |
| 133 | Westport but not including Palmerston Street | 3.04491 | \$304.49 | \$100,036.18 | \$3,046.02 | -27% | 443% |
| 134 | Palmerston Street | 4.19772 | \$419.77 | \$120,362.30 | \$5,052.47 | 0% | 648% |
| 135 | Carters Beach | 1.92672 | \$192.67 | \$142,333.33 | \$2,742.37 | -54% | 243% |
| 136 | South of the Buller River through to Totara River but not including Carters Beach | 0.89601 | \$89.60 | \$203,363.64 | \$1,822.16 | -79% | 60% |
| 138 | North of the Fox River | 0.16199 | \$16.20 | \$76,620.00 | \$124.11 | -96% | -71% |
| 139 | South of the Fox River | 1.13106 | \$113.11 | \$432,812.50 | \$4,895.35 | -73% | 102% |
| 140 | Reefton | 1.80307 | \$180.31 | \$70,877.55 | \$1,277.97 | -57% | 221% |
| RURAL (10ha+) | | | | | | | |
| 141 | Any other not included in 142 or 143 | 0.22733 | \$22.73 | \$813,589.80 | \$1,849.53 | 0% | -59% |
| 142 | Mokihinui River through to Waimangaroa River but not including coal plateau | 0.22056 | \$22.06 | \$348,822.12 | \$769.36 | -3% | -61% |
| 143 | South of the Buller River | 0.18146 | \$18.15 | \$624,429.55 | \$1,133.11 | -20% | -68% |
| RURAL RESIDENTIAL (4000m² to 3.9999ha) | | | | | | | |
| 151 | Any other not included in 152 | 0.45972 | \$45.97 | \$87,293.77 | \$401.31 | 0% | -18% |
| 152 | Mokihinui River through to Waimangaroa River and south of the Buller River | 0.42007 | \$42.01 | \$112,516.76 | \$472.65 | -9% | -25% |
| RURAL SMALL HOLDING (4.0ha to 9.9999ha) | | | | | | | |
| 161 | Any other not included in 162 to 164 | 0.31707 | \$31.71 | \$129,424.49 | \$410.36 | 0% | -43% |
| 162 | Mokihinui River through to Waimangaroa River | 0.18948 | \$18.95 | \$127,709.17 | \$241.98 | -40% | -66% |
| 163 | South of Totara River but not including 164 | 0.24007 | \$24.01 | \$149,650.00 | \$359.27 | -24% | -57% |
| 164 | Selected properties south of Totara River | 0.10889 | \$10.89 | \$190,062.50 | \$206.97 | -66% | -81% |

ATTACHMENT 1: Differential analysis

| | Differential cents per dollar of Land Value | Amount of General Rates paid per \$10,000 Land Value (including GST) | Average Land Value for ratepayers in this category at current valuation: | Average General Rates paid per property in this category: | Differential Percentage More or Less than the "standard" rate in this category: | If BDC had a differential of 1, it would be 0.56113. Percentage More or Less than this: |
|-------------------|---|--|--|---|---|---|
| INDUSTRIAL | | | | | | |
| 171 | 7.67774 | \$767.77 | \$228,309.09 | \$17,528.97 | 299% | 1268% |
| 172 | 6.82685 | \$682.69 | \$252,891.89 | \$17,264.55 | 255% | 1117% |
| 173 | 1.92256 | \$192.26 | \$127,976.46 | \$2,460.43 | 0% | 243% |
| 174 | 14.36309 | \$1,436.31 | \$161,000.00 | \$23,124.58 | 647% | 2460% |

ATTACHMENT 2: How do rural Council's set their rates?

| Rural Council | General Rating Base | Target Rated Services | Target Rate General Rates - what and how is it rated | UAGC | Notes |
|--------------------|---------------------|---|---|--------------|---|
| Buller District | LV | Flat | None | \$485 | 43 differentials (the most I found - most appear to have 2-6) |
| Carterton District | CV | Flat & Progressive Land & Capital component | Fixed and Progressive on CV various | max possible | Very Simple System. |
| Central Hawkes Bay | CV | Flat, and CV for stormwater | LV based transport rate - flat component also. Economic Dev rate flat rate paid by all. Flat target for 2 projects (low cost). | \$317 | The Objectives of the Council's rating policy is to: 1 spread the incidence of rates as fairly as possible, 2 be consistent in charging rates, 3 ensure all ratepayers pay their fair share for council services, 4 provide for the income needed to meet the Council's goals |
| Central Otago | LV | Flat | Roads, stormwater, public toilets, promotion, planning & environment, economic dev, tourism CV progressive | \$127 | About 18% charged in "general rates", this is really a CV based system for majority of rates. |
| Chattam Islands | CV | | | \$650 | |
| Clutha | CV | Flat water, sewer, storm | Flat and progressive roading CV, community LV, planning/regulatory CV, | \$495 | |
| Gore | CV | Flat | CV progressive for roading, Civil Defence, Rec Centres, Libraries, Property, Public Toilets, parks combination flat and progressive, | | No differentials on general rate. |
| Grey | LV | Flat | Promotion CV, ED flat, | \$459 | Heavily based on LV system. 9 differentials, 3 commercial and 3 residential plus forestry etc. |
| Hauraki | CV | | Roading CV, Uniform ward rates of about \$200 flat, ward business rates of \$170-840 flat, flat hall rates are set on land value. Drainage and flood and stormwater rates LV progressive. | \$525 | |
| Hurunui | CV | Water fixed and differentials, sewer fixed, | Governance, roading, Rmanagement all CV, museum and waste is flat charge, ward rates are flat, tourism target by criteria, stormwater, drainage and erosion by land differentially | | No differentials |

ATTACHMENT 2: How do rural Council's set their rates?

| Rural Council | General Rating Base | Target Rated Services | Target Rate General Rates - what and how is it rated | UAGC | Notes |
|-----------------|---------------------|---|---|------------|---|
| Kaikoura | CV | Flat water. 1/4 sewer CV progressive 3/4 flat. Stormwater CV. | Roading and district planning CV. Hospital and Civic Centre Uniform. Commercial tourism development CV Accomodation sector charge flat per SUIP, harbour and street CV. | \$490 | |
| Kaipara | LV | Wastewater flat and progressive with differentials for 6 areas. Stormwater met 10% gen rates 90% differentials for 5 areas. Drainage rate for 31 areas differential LV. | | \$728 incl | Undertaking Rates Review now to consider CV. Have 2 differentials. Residential and Other. Complicated target rates with up to 31 differentials in target areas. |
| Kawerau | CV | Flat water, sewer and rubbish | | \$600 | Very simple |
| Mackenzie | CV | Fixed water rates and solid waste rates | Village maintenance, parks and reserves, pools and halls target rates fixed and CV, District Roding and ED and Promotion is a fixed portion then a CV portion, cattlestop rate is fixed | | (Only Council noted with a cattlestop rate!) |
| Opotiki | CV | Fixed water, rubbish, sewer | Community/ward rates flat low value for residential, \$777 for commercial, | \$595 | No differentials |
| Otorohanga | CV | Fixed services | Community halls, land transport portion flat and portion CV, | \$324 | 22% rates strike |
| Rangitikei | CV | Public good water + connected fixed, sewer, rubbish, stormwater | | | Two differentials only very simple system |
| Ruapehu | CV | Pooled water, sewer and stormwater rates | Land transport CV, urban streetscape CV, | | |
| South Waikato | CV | Pooled, flat water, sewer. CV Stormwater progressive. Solid waste flat. | | 29% \$602 | Uses combo of CBD charges ranging from \$22-\$111 flat, to CV basis - but low charge overall. Charges for halls. No differentials. |
| South Wairarapa | LV | Water, sewer flat | Water races LV. Amentities flat. | | 3 differentials. Commercial, urban, rural. Rural 90% of urban. Commercial 2x urban. Simple but regressive. |
| Stratford | CV | Rubbish, sewer, water flat | Roding CV, fixed for community centres. | \$647 | No differentials very simple |

ATTACHMENT 2: How do rural Council's set their rates?

| Rural Council | General Rating Base | Target Rated Services | Target Rate General Rates - what and how is it rated | UAGC | Notes |
|---------------|---------------------|---|--|--------|-----------------------------|
| Tararua | LV | Rubbish flat, sewer, stormwater, water flat | Specified services land and capital progressive, library and pool flat, roading land value and progressive and flat. Footpaths flat, | 28-29% | |
| Waimate | CV | Flat sewer, rubbish, water | Civic amenities rates, flat, roading CV, CD CV, | | 4 differentials very simple |
| Wairoa | LV | Water, sewer, rubbish, drainage, | LV roading, CV Rec rate, CV regulatory, ED, community support rates | | 8 differentials |
| Waitomo | CV | Flat | Flat "services" on differential basis, roads and footpaths CV, development rate CV, | \$656 | No differentials |
| Westland | CV | Yes | Promotion & Tourism and Community Rates between \$95-\$425 | \$864 | |

SUMMARY:

7 Council's have a Land Value rating base:

- one was LV for 2015 and LTP proposed CV 2016.
- one undertaking review of LV to CV now.

Of the 7 Land Value Council's:

- Buller, Greymouth and South Wairarapa are the only three who do not have a portion of general rates which are based on Target Progressive basis (Greymouth has ED rated this way but it's a pretty minor amount).
- Central Otago, Tararua and Wairoa have significant portions of their general rates with a CV progressive portion - such as for specified services, roading, regulatory function, etc.
- Kaipara is looking at rates review their staff noted the complicated and difficult to administer target differential rates because of zoning which is inequitable.

ATTACHMENT 3: Council Activities and Rates used to fund those services

| Council Activity Provided | Summary of What That Activity Includes |
|---|--|
| Regulatory Services | Includes animal and stock control services, planning services, building control, compliance and enforcement management, alcohol licencing, civil defence and environmental health. |
| Roading and Urban Development | Includes maintenance and renewal of sealed and unsealed roads, bridges and culverts, footpaths, seats and shelters, road signs, road markings and street lighting. Council also contributes to Westport's taxi service. |
| Water Supplies | Includes water supplies in Westport/Carters Beach, Punakaiki, Cape Foulwind, Waimangaroa, South Granity, Ngakawau/Hector, Mokihinui, Little Wanganui, Inangahua Junction and Reefton. |
| Wastewater | Includes public sewerage reticulation in Westport, Reefton and Little Wanganui. |
| Stormwater | Includes the management of open drain stormwater system in Seddonville, Hector, Ngakawau, Granity, Waimangaroa, Westport, Carters Beach and Reefton. This also includes piped stormwater systems in Westport. (Sections of Westport's stormwater and all of Reefton's stormwater goes into their sewerage system). |
| Solid Waste | Includes the collection, transfer and final disposal of waste materials, including both rubbish and recycling. Council also operates and maintains two transfer stations and two landfills. |
| Community Services | Includes community grants and funding, sports, recreation and cultural facilities and services, libraries, NBS theatre, Reefton cinema, communications, district promotion and tourism, event tourism and business support. |
| Governance | Includes a governance structure for leadership, advocacy and accountable stewardship of the Council's assets and resources. |
| Support Services | Includes customer service depots in Westport and Reefton, corporate planning, financial and accounting operations, rating functions, generating annual plans, long term plans and annual reports, human resources management, information technology management, general administration, health and safety, monitoring and compliance with all Council Controlled Organisations, and financial management functions. |
| Property Management, Amenities and Reserves | Includes amenities and reserves, public toilets, property management, cemeteries, Punakaiki Beach Camp and pensioner housing. |

**ATTACHMENT 3:
Council Activities and Rates used to fund those services**

| Council Activity Provided: | Rates used to fund that service (based on 2017 end of year Annual Report) (\$000) |
|---|--|
| General Rates: | |
| Regulatory Services | 816 |
| Roading and Urban Development | 1,861 |
| Community Services | 3,164 |
| Governance | 1,025 |
| Support Services | 190 |
| Solid Waste (portion) | 165 |
| Stormwater | 364 |
| Property Management, Amenities and Reserves | 1,141 |
| Total (excluding GST) | \$8,727 |
| Target Rates: | |
| Water Supplies | 2,070 |
| Wastewater | 2,081 |
| Solid Waste (portion) | 679 |
| Total (excluding GST) | \$4,829 |
| Total Rates | \$13,556 |