



**BULLER**  
DISTRICT COUNCIL  
Te Kaunihera O Kawatiri

**Council Copy**

# Rating Review Project - 2018/2019

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**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

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#### 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?**

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**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**

<b>Outcome required for this task:</b>	Direction for Draft Rating Policy Review
<b>Time allowed:</b>	30 minutes

The previously established Rating Principles are:

Principles with greater weighting. <i>A good rating system...</i>	Pros for including this principle	Cons for including this principle
<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. <i>A good rating system...</i>	Pros for including this principle	Cons for including this principle
<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:**

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- (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.

<b>Outcome required for this task:</b>	Direction for Draft Rating Policy Review
<b>Time allowed:</b>	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:**

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- (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:
<b>RESIDENTIAL (less than 4000m<sup>2</sup>)</b>							
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%
<b>MULTI-RESIDENTIAL</b>							
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

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<b>COMMERCIAL</b>							
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%
<b>RURAL (10ha+)</b>							
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%
<b>RURAL RESIDENTIAL (4000m<sup>2</sup> to 3.9999ha)</b>							
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%
<b>RURAL SMALL HOLDING (4.0ha to 9.9999ha)</b>							
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:
<b>INDUSTRIAL</b>						
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**

<b>Council Activity Provided:</b>	<b>Rates used to fund that service (based on 2017 end of year Annual Report) (\$000)</b>
<b>General Rates:</b>	
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
<b>Total (excluding GST)</b>	<b>\$8,727</b>
<b>Target Rates:</b>	
Water Supplies	2,070
Wastewater	2,081
Solid Waste (portion)	679
<b>Total (excluding GST)</b>	<b>\$4,829</b>
<b>Total Rates</b>	<b>\$13,556</b>