

From: [BDC Lgoima](#)
To: [REDACTED]
Subject: Official Information Request for Rates database integrity review paper Ref: OIA 021/22
Date: Tuesday, 10 May 2022 4:09:00 pm
Attachments: [image006.png](#)
[LGOIMA Response 021_22 PE Rates Review Report 23 March 2022 - redacted.pdf](#)

Dear [REDACTED]

We refer to your official information request dated 30 March 2022 for a full copy of the rates database review report. Please find report attached.

We have decided to grant your request in part, namely information which relates to the rating review undertaken by Angela Oosthuizen that was presented to BDC councillors in March 22.

We have redacted certain information which relates to legal privilege under Section 7 (g) of the Local Government Official Information and Meetings Act

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact the Buller District Council by return email to lgoima@bdc.govt.nz.

Please note that it is our policy to proactively release our responses to official information requests where possible. Our response to your request will be published shortly at <https://bullerdc.govt.nz/district-council/your-council/request-for-official-information/responses-to-lgoima-requests/> with your personal information removed.

Kind regards

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**FINANCE AUDIT AND RISK COMMITTEE
PUBLIC EXCLUDED**

23 MARCH 2022

AGENDA ITEM 15


Prepared by Angela Oosthuizen

Reviewed by Sharon Mason
Chief Executive Officer

INTEGRITY REVIEW OF RATES DATABASE AND ASSOCIATED RECOMMENDATIONS

1 REPORT EXECUTIVE SUMMARY

This report presents the results from the Rates Database Integrity review. Essentially the walkthrough and physical observations and database analysis undertaken, indicated that internal controls and internal system processes are in place to maintain data integrity but that Council should consider smaller rates review to address various rating policy matters e.g. rates valuation basis, reduce and develop a rationale for general rating differentials



2 DRAFT RECOMMENDATION

a) That the Finance Risk and Audit Committee accept the report.


b) That the Finance, Risk and Audit Committee notes checks that internal and system processes are in place to maintain data integrity.



3. BACKGROUND

3.1 The Buller District Council consulted on its third proposed rating review. Council directed the Chief Executive Officer to include the current rates policy in the organisation's Long-Term Plan 2021 – 2031 and to initiate an audit of the rates database.

3.2 Objectives of the Rates Database Review

1. To review the robustness of the internal processes and practices in place to update and maintain the rates database.
2. To ensure that adequate and effective internal controls and authorisation levels are in place for all database administration, system maintenance and master file data updates.
3. To review the data integrity of the rates database:
 - Follow-up on errors and concerns raised in the submissions to the March 2021 Rates Review proposal
 - Random sample analysis of the rates database
4. Review of the consistency and accurate application of the rating policy to the rateable properties in the Buller database.
5. Analytical review of the database through to identify any further anomalies or errors and extent thereof.
6. Understand the practical challenges and complexities associated with the application of the current rating policy to the rateable properties in the Buller District and associated implications.
7. 
8. To agree and setup a reference group that Council can engage with on varying rating and or policy matter.
9. At conclusion to evaluate the results and propose recommended next steps for the Council to address policy complexities, rating anomalies and process matters to ensure a sound and defensible rating.

3.3 Initial Concerns Noted during the Third Rates Review Modelling environment

- The current category Rural Residential 151 was misclassified as Multi Residential 2 instead of Residential 1, under the proposal.
- This resulted in the owners of these 109 properties (the equivalent of 1.45% of the 7,517 rateable properties) being sent the incorrect details for their new rates under the proposal.
- This was corrected in the Rates Test Server and the Proposed Rates were recalculated, with many of those who had received the wrong information being sent an updated copy of the corrected “dummy” assessment.

- There is not an error in the current rating database.

4. Outcomes of the Review

The following integrity checks were carried out:

4.1 Analytical Review Undertaken

1. Overview of the process and controls to update the Valuation Roll from QV EDE
2. Reconciliation of the CV and LV from QV to the NDC System for 2020
3. Reconciliation of the CV and LV from QV to the NDC System for 2021
4. Analytical Review of the Rates Data Base – Use Codes, Rating differential and Rates Levied

4.2 Processes Reviewed

For all processes reviewed a walkthrough was undertaken and controls were observed::

1. QV Import of Rates Changes
2. Reconciliation of Rates Raised to QV Valuation at 1 July 2-21
3. Rates Adjustments
4. Rates Instalments
5. Penalties Raised

Documentation existed for the following processes:

6. Creating debt management letter Templates and record keeping
7. Debt collection
8. Setting up of payment plans
9. Debt collection monthly reports and analysis
10. Debt collection agency process

Given the importance of rates to the Council it is recommended that there is a sample and periodic review of QV data imported

4.3 Data Integrity Checks Undertaken

Each rateable property is allocated a USE code within the Quotable Value system, and this should align with the rating differential. A comparison of these codes was undertaken. Queries are to be forwarded to the Rating Officer for comment and further analysis.

4.4 Legal Advice taken to-date

Date	Subject and major points noted
30/11/2004 Simpson Grierson	Simpson and Grierson – rating of mineral interests <ul style="list-style-type: none"> • Uncertainty about the ability to extract rates based on the value of the minerals entered in the district valuation roll • Clarity required for the establishments of additional rates impacts to be clearly defined • Possibility to introduce a new targeted rate in respect of the extractive industries. Council could introduce a new rating differential category to the general rate
April 2018	Opinion on the Draft funding Impact Statement <ul style="list-style-type: none"> • Revenue and Financing Policy (RFP) deficient – set out the policies for funding of operating expenses and capital expenditure regarding the funding sources and demonstration of compliance with section 101(3) of • Policies in respect of use of funding sources • Background needs expansion • Funding mechanisms for both operating and capital needs to be updated and disclaimer that funding percentages are indicative • Rating Differentials and the rationale for them needs expansion • New section required to show compliance with section 101(3)(b) <p>Note: the RFP was reworked to align with the model proposed in rating review. Given the timing of the decision to not proceed with the rating review proposal, inadequate time remained to modify the existing RFP policy for adoption of the draft LTP .</p>
LTP Funding Impact Statement reviews – 2009 and 2015	Slight amendments to wording proposed and were included in the policies adopted
25 February 2019	Review of the Funding Impact Statement <ul style="list-style-type: none"> • Resulted in changes to ensure the rates resolution is inclusive of GST • Mentioned support for rationalisation of rating differentials • The advice has been routine and has focussed on compliance with the Act except for the advice in 2018 which strongly recommended rationalising the rating differentials and concerns about the Waste and wastewater rates differentiated on matters that are not authorised by Schedule 2 of the Local Government act 2002.

Schedule 2 of the Rating Act 2002 defines the following as matters that can be used to define categories of rateable land. Water and Wastewater rates are defined.

Extract of Schedule 2

Matters that may be used to define categories of rateable land

1. *The use to which the land is put.*
2. *The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the [Resource Management Act 1991](#).*
3. *The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the [Resource Management Act 1991](#), but only if—*
 - (a) *no submissions in opposition have been made under [clause 6](#) of Schedule 1 of that Act on those proposed activities or rules, and the time for making submissions has expired; or*
 - (b) *all submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.*
4. *The area of land within each rating unit.*
5. ***The provision or availability to the land of a service provided by, or on behalf of, the local authority.***
6. *Where the land is situated.*
7. *The annual value of the land.*
8. *The capital value of the land.*
9. *The land value of the land.*

5. Rating Policy Issues noted

- Land value is not a recommended rating approach (Shand Report 2006). Rates are a tax and the rates should be correlated with the ability to pay. If capital value was used then rating differentials for multi-residential would disappear and the capital value would determine the appropriate rate to be paid.
- Concerns whether the equitability of the yield from the rating category is consistent with the share of the CV or LV values

- Rating policy complex to administrate and there are element of subjectivity in applying the rating policy
- Reduce the general rates rating differentials as there is no justification for the rating differentials (streamline the existing rating differentials)/
- There is no rating category for primary industry which are businesses
- Develop a rationale for the introduction of differentials – currently system has no obvious logic and was developed to keep parity with valuation changes.
- Rating of utilities who have a high capital value do not generate adequate rating yields (\$100.,4m (4.5% of Value) but yield a very small amount to general rates).
- Rating policy is open to challenge - rating policy is not transparent and justifiable

7 Rating review considerations

- a) A full rating review takes at least 12 months to scope, analyse, evaluate the results of the modelling and then consult. This would not leave adequate time for this to occur before the 2021/2022 Annual Plan.
- b) Council should rather consider whether it is possible to rationalise the current general rating differentials and communicate any change in rating incidence as part of the Annual Plan process. This could be streamlines into residential, Rural Residential, Rural and Multi-residential, Commercial and Industrial Harbour, Mining and Other.
- c) Council should consider whether it is feasible to consider rating utilities and setting an appropriate yield and associated rating differential.
- d) Council will need to determine whether this is appropriate considering the impending elections in October 2022.
- e)

8. CONSIDERATIONS

8.1 Strategic Impact

Council has the key objectives of being resilient, growing the economy, providing quality infrastructure, investing in our towns and being affordable by growing non-rates income.

Rates Income is the primary revenue source for Council which requires confidence that the rates database has integrity and represents a stable and reliable foundation upon which to levy rates and ensure compliance with the Rating Act. The rates

database forms the platform upon which further enhancements or changes to the rating policy can be undertaken which are sound and defensible.

8.2 Significance Assessment

The Significance and Engagement Policy is written in accordance with The Local Government Act 2002 (LGA 2002) section 76AA. This part of the Act sets the general approach to determine if a proposal or decision is “significant” therefore requiring the Council to make judgements about the likely impact of that proposal or decision on:

- a) The District;
- b) The persons who are likely to be particularly affected by, or interested in, the proposal or decision;
- c) The financial impact of the proposal or decision on the Council's overall resources; and
- d) The capacity of the Council to perform its role and carry out its activities, now and in the future.

The Significance and Engagement Policy sets out the criteria and framework for a matter or transaction to be deemed significant.

The content included in this report is considered significant as

- a) the rating is the primary revenue source
- b) the matter is deemed to be of significant public interest given the matters raised through the recent submissions process and media reports

Any changes considered under paragraph 7 would lead to a special consultative procedure.

8.4 Values

The Buller District Values are: Integrity, Future Focussed, Community Driven, One Team and We Care.

Having confidence in the integrity of the rating database and rating mechanisms closely aligns to the values of integrity and being future focussed.

This is aligned with fiduciary responsibility of the organisation.

8.5 Policy/legal Considerations

The levying of rates is controlled by the Local Government (Rating) Act 2002. The Financial Delegations Policy, Treasury Management Policy and Rates Remission Policies also apply to the collection of Council debt.

8.7 Views of Those Affected

It is equitable for all our ratepayers, the public and individual debtors to have confidence and assurance rates levied are based on accurate and complete master data (rating factors and rates) using appropriate processes and systems with robust and sound internal controls.

8.9 Benefits

The benefit of a complete and accurate rating database, robust processes and rating system is fundamental to the ability to levy rates legally and consistently and protect the reputational of the Council. There is also fairness and equity for all ratepayers and service consumers in that everyone is accurately invoiced for their respective share of the rates bill.