Rates review 2023

Public consultation

Timeframe
Submissions open: 18 September 2023
Submissions close: 24 October 2023
Hearings: 1 – 17 November 2023
Adopt the changes: 29 November 2023
Changes take effect: 1 July 2024

What is the rates review?

The Council has been looking at all of the activities Council provides, and thinking about whether it is appropriate that these activities should be funded by rates, or user pays, a combination of both, or whether there might be other sources of funding available.

The outcome of the rates review will then form the basis for setting the rates commencing 1 July 2024. The review also affects the level of user fees and charges from the same date. The suggested policy decisions from the rates review are incorporated in the Draft Revenue & Financing Policy.

Once all feedback has been received, and Council has heard from people who would like to speak at the public hearing, the Draft Revenue & Financing Policy will be amended as required to incorporate changes, will be subject to a final legal review and then adopted for inclusion in the Long-Term Plan 2024-2034.

Please click on the blue supporting document links below for further information.

- **Draft Revenue and Financing Policy**
  This policy sets out the Council's policies in respect of how it will fund activities, including its choices of rates, user fees & charges, etc.
- **Step One Funding Needs Analysis**
  Referring to s101(3)(a) of the Local Government Act (2002), Step One documents the Council's considerations about who benefits from activities, the period over which the benefits occur, the extent to which individuals or groups impact the need for an activity, cost or benefit of funding separately, and the community outcomes each activity contributes to.
- **Step Two Overall Impact Analysis**
  Referring to s101(3)(b) of the Local Government Act, Step Two then documents the Councils analysis of the overall impact of Step One on the allocation of rates and other funding needs on the social, economic, environmental, and cultural well-being of the community.

What is the Council consulting about?

There are a few changes proposed, and the Council wants to know whether ratepayers support all of the proposed changes, or support some of the proposed changes (but not all), or not support any changes and instead remain with the status quo.

The proposed changes are:

A differential on the Roading Rate

Currently there is a roading targeted rate assessed on capital value on every rateable property in the district, without differential (so everyone pays the same rate in the dollar of capital value). The

Council is suggesting that commercial properties should pay a higher differential to recognise that business activities involve heavier vehicles and higher traffic volumes, in delivery of goods and services as well as customers coming to their premises.

The Council is also suggesting that semi-rural and rural properties should pay a higher differential, to recognise the heavier wear and tear on roads by dairy tankers, stock trucks, cows crossing the roads, tractors, etc. People living in semi-rural areas also have similar expectations on the standard of roads as urban residents (sealed roads, reduced dust and noise), and drive regularly to work in town or to access town facilities. By comparison, people in urban areas usually drive shorter distances and generally have smaller vehicles, and therefore cause less damage to local roads.

The proposed differentials are:

Urban & utility	1.0
Commercial	2.0
Semi-Rural	1.2
Rural	1.2

The result of the proposed differential – if implemented by itself – is that high value commercial, rural and semi-rural would pay quite a bit more, medium-low value commercial properties would still pay more, semi-rural and rural properties pay slightly more, and residential properties would pay less towards roading than currently.

A new Roading Uniform Targeted Rate

The Council is suggesting that all properties outside the urban area should contribute an initial fixed amount towards the roading costs irrespective of size or value. After some scenario modelling, the fixed amount is suggested to be $200.00 including GST. This fixed amount ensures that semi-rural and rural properties will not pay less than this minimum amount towards roading, while at the same time the fixed amount mitigates the disproportionate impact of the roading rate differential on high value properties.

If it were implemented by itself, the Roading Uniform Targeted Rate would result in urban and commercial properties paying less, and semi-rural and rural properties (especially lower value properties) paying more.

The differential on the Roading Rate, and the proposed Roading uniform targeted rate, work best in tandem with each other. When implemented together, the two proposed changes result in commercial, semi-rural and rural properties paying more towards roading, but with the effect on very high value properties softened so that the increase in dollar terms is relatively similar for rural and semi-rural rates.

Increase the differential on Footpath & Streetlights, Harbour, and Town Centre Rates

These three targeted rates currently apply a differential on semi-rural and rural areas; however the Council has considered the level of the differential, and is suggesting that semi-rural residents are less than 15 minutes from the township and are regular users (or beneficiaries) of these urban services. In essence, the Council is suggesting that the current differential of 0.5 for semi-rural areas is too low. The differential is proposed to increase as follows:

		Urban	Semi-rural	Rural
Footpath & streetlights rate	Current	1.0	0.5	0.2
	Proposed	1.0	0.75	0.25
Harbour rate	Current	1.0	0.5	0.25

	Proposed	1.0	0.75	0.25
Town Centre rate	Current	1.0	0.5	0.25
	Proposed	1.0	0.75	0.25

The result of the increased differential for semi-rural properties (and equalizing the differential for rural properties across the three rates) is that semi-rural and rural properties pay slightly more, and urban and commercial properties pay slightly less, than their current rates bill.

Increase the Accommodation Sector Charge

Currently, any property that provides accommodation for visitors, but doesn't meet the definition of a commercial property (generally because they can only accommodate 4 guests or less), is levied the Accommodation Sector Charge of $400.00 including GST per year. The Council is suggesting this is too low. In comparison, a benchmarked medium-value 12-room motel would be paying $4,274 in their commercial rates, per year. In addition, many of the smaller visitor accommodation providers could be earning $400 a night in peak season.

The Council is suggesting that the Accommodation Sector Charge be increased to $600.00 including GST per year, so these smaller accommodation providers are contributing a fairer share towards Council activities that support tourism.

The impact of this proposal is that the properties levied the accommodation charge will pay $200.00 more than currently, and that commercial properties will pay less (because the increased rate means the smaller visitor accommodation providers contribute more to the activities that are also funded by the commercial rate).

Reintroduce the Rural Recycling rate – for rural properties only

In 2021, the Council removed the Rural Recycling Charge that was levied on semi-rural and rural properties, because the number of community recycling pickup sites was reduced, the total cost of the service was deemed too low to warrant a separate targeted rate, and it was considered that anyone could leave their recycling at any of the sites and so the service was district-wide.

Now, the Council is suggesting reintroducing the rural recycling rate, as a fixed dollar amount, but for rural properties only because the remaining collection sites are in the rural area (Lynton Downs, Clarence and Kekerengu).

The impact of this suggested change is that properties in the rural area would pay a fixed dollar amount (of $61.00 including GST using the 2023/2024 Annual Plan figures), and all other properties in the district would pay slightly less.

Remove the Public Rubbish Bin Charge

Currently all commercial properties pay a public rubbish bin charge regardless of the capital value of the property (for the 2023/2024 year this is $162.46 including GST), which covers 50% of the cost of emptying these public rubbish bins, with the balance 50% funded by general rates. This is because the Council considered that, while there is a wide community benefit to having areas devoid of litter due to bins being available, commercial properties cause the need for public rubbish bins – and that the cost of the service was equal across those businesses. The Council is now suggesting that there is no need for a separate targeted rate for the emptying of public rubbish bins, and that the portion of costs currently funded by the Public Rubbish Bin Charge instead be funded by commercial rates.

The net effect of this suggestion is the same properties will pay for the service, but the higher value commercial properties will pay a little more, and the lower value commercial properties will pay a little less. The intention of the suggestion is to consolidate the commercial rate and simplify its administration.

Harbour Special Operator Rate

The Council wishes to make provision in the Revenue and Financing Policy for the ability to levy a Harbour Special Operator rate. The Council is suggesting that it is appropriate for the net costs of harbour activities (after all other sources of revenue such as slipway fees, boat parking fees, cruise ship fees, etc), could be covered by a combination of the existing commercial rate and harbour rate (set on differential), plus a proposed new Harbour Special Operator Rate to apply to special operators in proportion to the areas that they each have exclusive use over.

The Council proposes that 80% of all costs of the harbour be funded through the combination of user pays and the potential Harbour Special Operator Rate, with the residual costs then funded 10% by the commercial rate, and 10% by the current harbour rate with a differential for urban, semi-rural and rural properties.

While at this stage two special operators have been identified, any further operators that are deemed to have exclusive use of harbour areas would also be subject to the special operator rate.

This suggestion is being discussed with each of the special operators that could be affected by this new Special Operator Rate if it were to be adopted.

The net effect of this proposed change is that the special operators would then contribute to the cost of operating the harbour according to their proportion of exclusive use, and this in turn would reduce the amount the Council needs to fund from the general rate and commercial rates. Currently user fees and charges only fund 50% of the costs of harbour activities, the remainder is subsidised by the community through the rates they pay.

If adopted, the Harbour Special Operator Rate would reduce rates that all other properties in the district would need to pay towards the harbour, especially high value properties and commercial businesses.

Changes to how some activities are funded

While not a direct change to the rating system itself, the Council has debated the proportion of user pays and other funding sources, compared to rates, for every activity. The outcome of the suggested changes (below) do effect rates by either increasing or decreasing the amount that the Council expects to fund via rates versus other revenue such as user fees.

By way of example, Other Regulatory activity is currently only funded by 10% user fees, but the Council suggests that it should generate revenue of at least 30% in future, because the property owner directly benefits from having a BWOF or a swimming pool that complies with regulations. That might need to be achieved by increasing the user fees (the price of a swimming pool inspection, for example), or to have a more aggressive enforcement approach and issue more fines for litter or noise infringements.

Similarly, the Council is suggesting that library book rental could be a free service to residents and ratepayers, and would only charge overdue fines for items not returned on time. That would mean close to 100% of the cost of the library service would be funded by the general rate. The dollar amount involved is very small (only around $7,000 per year).

The following table summarises the suggested changes to how certain activities might be funded:

Activity	**Was funded by:**	**Proposed to be funded by:**
Other Regulatory (BWOFs, swimming pools, litter & noise control, etc)	> 10% User fees and charges, then (of the residual balance): 60% commercial rate 40% general rate	> 30% User fees and charges, then: < 70% General rate
Public toilets	66.67% General rate 33.33% Commercial rate	50% General rate 50% Commercial rate
Alcohol licencing, food premises & environmental health	> 40% User fees and charges, then a mixture of (approximately): 30% Registered premises charge 10% Commercial rate 20% General rate	> 40% User fees & charges, then an equal apportionment between: Registered premises charge General rate
Parking control	Infringement fees, then: 50% Commercial rate 50% General rate	100% Pay & display fees and Infringement fees
Town centre	> 30% User fees (including pay & display), then: Town centre rate	20% User fees (Pay & Display revenue moves to Parking Control) 20% Commercial rate 60% Town centre rate
Airport	> 80% User fees and charges, then: General rate	100% User fees & charges (may require a progressive increase in fees) Any shortfall to be funded by an equal apportionment between: General rate, and Commercial rate
Public rubbish bins	Public rubbish bin charge	Commercial rate
Library	> 3% User fees General rate	General rate

Effects of the suggested changes on our benchmark properties, using the 2023/2024 rates:

Property type	Location	Value	If all suggested changes are made		
			Rates	Change $	Change %
Residential	Urban	High value $1,160,000	$4,440.16	$(194.70)	(4.20)%
Residential	Urban	Medium value $760,000	$3,536.81	$(156.77)	(4.24)%
Residential	Urban	Low value $380,000	$2,678.62	$(120.74)	(4.31)%
Farm	Semi-rural	High value $4,580,000	$10,395.80	$430.53	4.32%
Lifestyle block	Semi-rural	Medium value $980,000	$3,000.63	$182.75	6.49%
Residential	Semi-rural	Low value $450,000	$1,911.90	$146.27	8.28%
Commercial	Urban	High value (30-room motel) $4,490,000	$26,428.47	$(1,320.47)	(4.76)%
Commercial	Urban	Medium value (12-room motel) $1,785,000	$11,571.49	$(673.86)	(5.50)%
Commercial	Urban	Medium value (retail) $830,000	$5,725.34	$(445.58)	(7.22)%
Commercial	Urban	Low value (retail) $490,000	$4,192.26	$(364.30)	(8.00)%
Farm	Rural	High value $8,750,000	$17,656.98	$323.68	1.87%
Farm	Rural	Medium value $4,330,000	$9,267.32	$249.22	2.76%
Farm	Rural	Low value $2,030,000	$4,901.66	$210.48	4.49%

New definition for the Separately Used or Inhabited Part of a Rating Unit (SUIP)

Fixed uniform targeted rates, for example the Uniform Annual General Charge (and others) are set per SUIP, rather than per rating unit. As well as considering Council activities and how they should be funded, the rates review workshops included confirming how the Council seeks to apply rates on SUIPs. The Council proposes the following definition.

While the proposed definition is not a significant change, it is helpful for ratepayers and Council staff to have a clear understanding of the definition, so that it is consistently applied.

Definition of "Separately used or inhabited part of a rating unit"

Any part of a rating unit that is used or inhabited by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement (whether formal or informal).

Any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use. Without limitation, the following are separately used parts of a rating unit:

- A business that employs more than one FTE who does not reside on site
- Individual flats or apartments
- Separately used or leased commercial areas which are comprised in one rating unit, including each shop within a mall (for example)
- Single rating units which contain multiple uses such as a shop with a dwelling or commercial activity with a dwelling
- A building or part of a building that is used, or can be used as an independent residence
- A manager's residence within a hotel or motel

An ***independent residence*** is defined as a liveable space with its own kitchen, living and toilet/ bathroom facilities that can be deemed to be a secondary unit to the main residence. Note: a kitchen is defined as any space, facilities and surfaces for the storage, rinsing, preparation and/or cooking food, the washing of utensils and the disposal of wastewater, including, for example a food preparation bench, sink, cooking appliance(s), refrigerator, and may include other kitchen appliances.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat that does not meet the definition of an independent residence
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- Individual storage garages/sheds/portioned areas of a warehouse
- Individual offices or premises of business partners

Where a rating unit is identified as having more than one separately used or inhabited part available to be used, but it is not actually separately used or inhabited, then it shall be assessed as having separately used or inhabited parts and the ratepayer may apply annually for remission of rates on the unused part(s). The remission would only be available where the unused part(s) are unused for the entire rating year. Where a remission has been granted, and it is discovered that the part(s) were actually used during that rating year, that rating unit will not be eligible for remission of rates for unused part(s) for any subsequent rating year.