

RATING METHOD - 2025/26

Department: Finance

EXECUTIVE SUMMARY

- 1 The draft budget as presented for 2025/26 includes an overall increase in rates of 9.95%. This increase in rates is collected using the rating method. The proposed rates charged to individual rate accounts incorporate the budget increase and changes in the rating database (new improvements and new homes).
- 2 The proposed changes to the rating method are discussed in this report. These include increases to the Community Services targeted rate (increase of 3.4%) and the Stadium differentiated rates (increase of 3.3%).
- 3 Council is provided with an option to combine the Tourism/Economic Development targeted rate with the commercial general rate.

RECOMMENDATIONS

That the Council:

- a) **Approves** an increase in the Community Services targeted rate for the 2025/26 year of \$4.00 to \$121.00 including GST.
- b) **Approves** an increase in the Stadium 10,000 plus seat differentiated rates for the 2025/26 year based on the June 2024 Local Government Cost Index of 3.3%.
- c) **Decides** either:
 - i) to retain the Tourism/Economic Development targeted rate or
 - ii) to combine the Tourism/Economic Development targeted rate into the Commercial General Rate.
- d) **Approves** the current rating method for the setting of all other rates for the 2025/26 year.

BACKGROUND

- 4 The purpose of this report is to demonstrate the impact of the proposed rate increase by property and rating differential (how general rates are allocated across all ratepayers) for the 2025/26 year and confirm the proposed changes to the rating method.

Tourism/Economic Development Targeted Rate

- 5 At its meeting on 27 February 2024, Council made a decision to prepare an Annual Plan 2024/25, followed by a 9 year plan, rather than completing a 10 year plan 2021-31. In the 2023 year, as

part of the 10 year plan work programme, the Rating Workstream group undertook a review of how General Rates are allocated by differential across all ratepayers. The review compared the General Rate differential with other metropolitan and provincial councils.

- 6 It also considered the ongoing need for the Tourism/Economic Development targeted rate (Economic rate) introduced in 2010 and concluded that there were no identified benefits in keeping this rate.
- 7 On 28 November 2023, a report was presented to Council on the review of the General Rates differential. Council resolved as follows:

Moved (Cr David Benson-Pope/Cr Steve Walker):

That the Council:

- a) ***Decides*** for the purposes of preparing the 2024/25 Rating Method report for the Council meeting in January 2024, to combine the Tourism/Economic Development targeted rate into the Commercial General Rate, and maintain all other current general rate differentials.

Motion carried (CNL/2023/283)

- 8 This motion was revoked following the decision to prepare an Annual Plan in 2024/25. It was also resolved that it be considered again as part of the 9 year plan 2025-34.
- 9 Please note that unless specified, all rating figures in this report are GST inclusive.

DISCUSSION

- 10 The overall increase in rates to be collected is driven by the draft budget for 2025/26 which includes a 9.95% rate increase. This increase in rates is collected using the rating method.
- 11 The rating method comprises two main elements, General Rates and Targeted Rates, as demonstrated in Attachment A. Attachment A provides a summary of current and proposed rates, provides details of the individual rates and the amount collected from each rate. Attachment B, summary information, provides a summary of fixed charges, general rates and total rates.
- 12 DCC rates are made up of General Rates (56%¹) and Targeted Rates (44%). General Rates are based on capital value. Targeted Rates are made up of fixed charges (77%) and rates based on capital value (23%). When property values change because of a revaluation, the largest impact is on the General Rate.
- 13 The General Rate is collected as a rate in the dollar on the capital value (CV) of each property. The Council sets the general rate differentially for six property categories: Residential, Lifestyle, Commercial, Farmland, Residential Heritage Bed and Breakfast establishments, and the Stadium.
- 14 A differential, described as a factor, is the degree to which the rate (the cents in the dollar) on each category of property is higher or lower than Residential property. For example, the rate

¹ Based on the 2025/25 year.

paid by Commercial properties for the current year is 2.50 times more than the rate paid by Residential properties.

- 15 Targeted Rates fund particular activities and are either fixed charges, i.e. the same amount per property, or collected as a rate in the dollar on the CV of each property.
- 16 The impact of a rates increase on individual properties is driven by the budget increase, the rating method (how we rate) and changes in the property database (for example, new improvements or new houses).

Tourism/Economic Development Rate

- 17 On 1 July 2010, the Council introduced a Tourism/Economic Development targeted rate (Economic Rate), to be paid by the commercial ratepayers. Its purpose was to provide a mechanism to collect specific funding for the Economic Development activity, for specific projects in the future. The rate currently collects \$500,000 per year excluding GST (\$575,000 including GST), raised by a capital value based targeted rate paid by the Commercial category of ratepayers.
- 18 When introduced, it was neutral to Commercial ratepayers because it was offset by a reduction in the amount that the Commercial category pays towards the General Rate. The Commercial property General Rate and the Economic Rate combine to give a factor of 2.50.
- 19 There are no identified benefits in keeping this rate. If removed, the Commercial General Rate would increase by \$500,000, and be charged on a capital value basis. Commercial ratepayers would conversely not be charged the \$500,000 targeted rate, which is also charged on a capital value basis. It is recommended that this rate be removed.

Community Services Rate

- 20 The Council has a Community Services targeted rate (CSTR) which funds the Botanic Garden and part of the Parks and Reserves activity. The CSTR is a fixed charge on all rateable properties and is normally increased annually by an indexed amount. An increase based on the June 2024 Local Government Cost Index (LGCI) of 3.3% would increase this rate from \$117.00 to \$121.00 (rounded to the nearest dollar), an increase of \$4.00 per property (3.4% due to rounding), for the 2025/26 year.
- 21 Council may decide to keep this rate at \$117.00. If so, the foregone increase in this rate would need to be collected via the General Rate, which is capital value based. For a median valued Residential property (being \$590,000), the impact of not increasing the Community Services targeted rate would be a saving of \$1.60, i.e. \$4.00 would be saved on the fixed rate but the General Rate would increase by \$2.40.

Stadium Rates

- 22 The Council has a rating differential for the Forsyth Barr Stadium for the general rate, the Economic Development/Tourism rate, the capital value-based Drainage rate and the capital value-based Fire Protection rate. Since 2013/14, the differentiated Stadium rates have been inflation adjusted annually. For the 2025/26 year, it is proposed to increase these rates by the June 2024 LGCI of 3.30%. If Council decides to combine the Economic Development/Tourism rate with the Commercial General Rate, these rates for the Stadium would also be combined.

Kerbside Rates

- 23 The draft budget includes an increase in the kerbside rates of 27.9%. This increases the kerbside targeted rate from \$301.00 to \$380.40. In a separate report on this agenda, Waste Minimisation – Draft Operating Budget 9 year plan 2025-34, an option is provided that would reduce the targeted rate to \$343.40.

Overall Impact

- 24 As mentioned above, the draft budget for 2025/26 includes an overall increase in rates of 9.95%. This increase incorporates an increase of 5.6% in general rates and an increase of 15.4% in targeted rates. The following table provides a summary of the rate increase (excluding GST).

	2024/25 \$'000	2025/26 \$'000	\$ change \$'000	% change
General rates	133,523	141,050	7,527	5.6%
Targeted rates:				
Community service rates	5,948	6,180	232	3.9%
Kerbside recycling rate	13,608	17,410	3,802	27.9%
Drainage rates	53,064	61,024	7,960	15.0%
Water rates	32,045	36,852	4,807	15.0%
Tourism/economic development	500		(500)	-100.0%
Other targeted rates	333	287	(46)	-13.8%
Total targeted rates	105,498	121,753	16,255	15.4%
Total rates	239,021	262,803	23,782	9.95%

- 25 The following table shows the overall rates income (including GST) by property category for 2024/25 and 2025/26.

Category	2024/25 \$'000	2025/26 \$'000	\$ change \$'000	% change
Residential	183,290	202,564	19,274	10.5%
Lifestyle	9,934	10,585	651	6.6%
Commercial	75,401	82,430	7,029	9.3%
Farmland	6,249	6,645	396	6.3%
Total	274,874	302,224	27,874	9.95%

- 26 Attachment C provides sample property rate changes for each category of property. Page one of the attachment provides examples, for each property category, of a rate account by rate type; page two provides more samples for each category of total rates. The sample property rate changes incorporate:

- The forecast rate increase of 9.95%, and

- An increase of 3.4%, \$4.00 in the Community Services rate, and
- An increase of 3.3% in the differentiated rates paid by the Stadium, and
- The Tourism/Economic Development targeted rate is combined with the Commercial general rate.

27 Prior to engaging with the community, the sample property rate changes for each category of property will be updated to reflect more up to date property data, taking into account the growth in the city. Growth in the property database will result in individual property rates reducing.

Rate Maximum

28 Under the Local Government (Rating) Act 2002, certain rates must not exceed 30% of total rates revenue. This includes the use of a uniform annual general charge and any targeted rates that are set on a uniform basis, excluding targeted rates set solely for water supply or sewage disposal. Based on the draft budgets, these rates represent 24% of total rates revenue.

OPTIONS

29 Two options are provided. Option one retains the Tourism/Economic Development targeted rate. Option two combines the Tourism/Economic Development targeted rate with the Commercial General Rate.

Option One – Status Quo

30 Under this option, the Tourism/Economic Rate remains in place at \$500,000 per annum excluding GST. This and the Commercial General Rate combine to give a factor of 2.50 as follows:

Category	Factor	Factor including Economic Rate
Residential	1.00	1.00
Lifestyle	0.95	0.95
Commercial	2.47	2.50
Farmland	0.80	0.80
Residential Heritage B & B	1.75	1.75

Advantages

- There are no identified advantages.

Disadvantages

- The need to administer a targeted rate that is not required, i.e., the Tourism/Economic Development rate.

Option Two – Combine the Tourism/Economic Development targeted rate with the commercial general rate (Recommended Option)

- 31 Under this option, the Tourism/Economic Development targeted rate is combined with the Commercial General Rate. Using the 2024/25 budget, the rates collected from Commercial ratepayers with this combination would be unchanged as shown:

Rates	Current Commercial Rates \$'000	Revised Commercial Rates \$'000
General Rate	47,821	48,396
Tourism/Economic Development	575	0
Combined Rates	48,396	48,396

- 32 The general rate factors would be as follows:

Category	Factor
Residential	1.00
Lifestyle	0.95
Commercial	2.50
Farmland	0.80
Residential Heritage B & B	1.75

Advantages

- One less targeted rate to administer, with no change to Commercial ratepayers.

Disadvantages

- There are no identified disadvantages.

NEXT STEPS

- 33 While the Council is engaging with the community on the 9 year plan draft 2025/26 Annual Plan, rate account information will be available on the DCC website that shows the proposed rating impact by individual rate account.

Signatories

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Attachments

	Title	Page
A	Rating Method	
B	Summary Information	
C	Sample Property Rates	

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities, and promotes the social, economic, environmental and cultural wellbeing of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
3 Waters Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Future Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Parks and Recreation Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Other strategic projects/policies/plans	✓	<input type="checkbox"/>	<input type="checkbox"/>

The 9 year plan contributes to objectives across the strategic framework, as it describes the Council's activities, which are aligned to community outcomes, and provides a long term focus for decision making and coordination of the Council's resources, as well as a basis for community accountability.

Māori Impact Statement

Council budgets impact broadly across all Dunedin communities including Māori. The adoption of Te Taki Haruru – Māori Strategic Framework signals Council's commitment to mana whenua and to its obligations under the Treaty of Waitangi. Mana whenua and Māori will have an opportunity to engage in the consultation process.

Sustainability

Sustainability is an underlying principle of the DCC's strategic framework. The Annual Plan 2025/26 is not proposing any changes to that provided for in the 9 year plan. Sustainability is discussed in the Infrastructure Strategy and financial resilience is discussed in the Financial Strategy for the draft 9 year plan.

Zero carbon

This report does not have implications for city or DCC emissions

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

The proposed rating method will be included as supporting documentation as part of the budget material during the community engagement period on the 9 year plan.

Financial considerations

The rating method gives effect to the draft budget. The financial implications of the draft budget are discussed in the Chief Executive overview report and the group operating budget reports.

Significance

There will be full engagement on the 9 year plan, which will cover any area of significance.

SUMMARY OF CONSIDERATIONS***Engagement – external***

There has been no external engagement.

Engagement - internal

Staff and managers from across the Council have been involved in the development of the draft budgets.

Risks: Legal / Health and Safety etc.

There are no identified risks.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

The rating method will be of interest to Community Boards.

Summary of Current and Proposed Rates

		2024/25 Current		2025/26 Proposed		Increase/(Decrease)			
Rates (Including GST)		Basis of Rate Note 1	Rate Note 2	Rates Collected \$'000	Rate Note 2	Rates Collected \$'000	Rate	Rates Collected \$'000	Rates Collected %
General Rates									
Rate in \$, Capital Value, Differentiated									
Residential	cv	0.2877	91,978	0.3014	96,912	4.8%	4,934	5.4%	
Lifestyle	cv	0.2733	8,422	0.2863	8,875	4.8%	453	5.4%	
Commercial	cv	0.7106	47,821	0.7536	50,822	6.1%	3,001	6.3%	
Farmland	cv	0.2301	5,175	0.2411	5,436	4.8%	261	5.0%	
Residential Heritage Bed & Breakfast	cv	0.5034	22	0.5275	15	4.8%	(6)	(28.8%)	
Stadium 10,000 plus seat	cv	0.0533	133	0.0563	141	5.6%	7	5.6%	
Total General Rates			153,551		162,201		8,650	5.6%	
Targeted Rates									
Community Services									
Residential, Farmland, Lifestyle, Utilities	suip	117.00	6,510	121.00	6,767	3.4%	257	3.9%	
Commercial	ru	117.00	330	121.00	341	3.4%	11	3.3%	
Total Community Services			6,840		7,108		268	3.9%	
Tourism/Economic Development									
Commercial	cv	0.0086	572	0.0000	0	-100.0%	(572)	(100.0%)	
Stadium 10,000 plus seat	cv	0.0012	3	0.0000	0	-100.0%	(3)	(100.0%)	
Total Tourism/Economic Development			575		0		(575)	(100.0%)	
Drainage									
Fixed Charge									
Residential, Lifestyle & Farmland (Note 3)	suip	776.00	38,393	887.00	44,171	14.3%	5,778	15.0%	
Commercial, Residential Institutions, Schools (Note 3)	ru	776.00	2,222	887.00	2,537	14.3%	315	14.2%	
Churches	ru	102.25	12	102.25	12	0.0%	0	0.0%	
Rate in \$ CV									
Commercial & Residential Institutions (Note 3)	cv	0.2660	19,440	0.3037	22,335	14.2%	2,895	14.9%	
Schools (Note 3)	cv	0.1995	906	0.2278	1,075	14.2%	169	18.7%	
Stadium 10,000 plus seat	cv	0.0199	50	0.0206	51	3.1%	2	3.1%	
Total Drainage Rates			61,023		70,181		9,159	15.0%	
Kerbside Collection Fixed Charge									
Residential, Farmland, Lifestyle, Utilities	suip	301.00	15,556	380.40	19,886	26.4%	4,330	27.8%	
Commercial	ru	301.00	93	380.40	136	26.4%	43	45.9%	
Total Kerbside Collection Rates			15,649		20,022		4,373	27.9%	
Water									
Fixed Charge									
Residential, Lifestyle & Farmland (Note 3)	suip/unit	590.00	30,372	672.00	34,922	13.9%	4,550	15.0%	
Fire Protection	suip	177.00	31	201.60	41	13.9%	10	32.3%	
Fire Protection, Rate in \$ CV									
Commercial	cv	0.0758	5,994	0.0865	6,892	14.1%	898	15.0%	
Residential Institutions	cv	0.0569	435	0.0649	504	14.1%	69	15.9%	
Stadium 10,000 plus seat	cv	0.0081	20	0.0084	21	3.6%	1	3.6%	
Total Water Rates			36,852		42,380		5,528	15.0%	
Other Targeted Rates									
Private Street Lighting	suip	149.40	46	149.40	46	0.0%	0	0.0%	
Allanton	suip	411.00	22	411.00	21	0.0%	(0)	(2.1%)	
Blanket Bay	suip	636.00	1	636.00	1	0.0%	0	10.0%	
Curles Point	suip	749.00	1	749.00	1	0.0%	(0)	(30.0%)	
Total Other Rates			70		69		(1)	(1.0%)	
Voluntary Targeted Rates									
Warm Dunedin	suip	various	314	various	262		(52)	(16.5%)	
Total Voluntary Rates			314		262		(52)	(16.5%)	
Total Rates Including GST			274,874		302,224		27,350	10.0%	
Total Rates Excluding GST			239,021		262,803		23,783	10.0%	
Check			0		(0)				

Note 1: cv = capital value, suip = separately used or inhabited part of a rating unit, ru = rating unit.

Note 2: Fixed charge unless specified as a rate in the dollar.

Note 3: Charges are reduced to 50% where a property is not connected/supplied but is capable of being connected/supplied.

Summary Information

Note : All numbers are GST INCLUSIVE

Summary of Fixed Charges

	2025/26	2024/25	Increase	Increase
Community Services	121.00	117.00	4.00	3.4%
Kerbside Collection	380.40	301.00	79.40	26.4%
Water	672.00	590.00	82.00	13.9%
Drainage	887.00	776.00	111.00	14.3%
Total Fixed Charges	2,060.40	1,784.00	276.40	15.5%

Summary of General Rates

	General Rate Share	Total CV	CV %	General Rate Rate in \$	General Rate Factor	General Rates Paid
Residential	59.75%	32,153,691,500	72.12%	0.003014	1.00	96,911,226
Lifestyle	5.47%	3,099,796,500	6.95%	0.002863	0.95	8,874,717
Commercial	31.33%	6,822,979,800	15.30%	0.007536	2.50	50,822,255
Farmland	3.35%	2,254,817,050	5.06%	0.002411	0.80	5,436,364
Residential Heritage B&B	0.01%	2,920,000	0.01%	0.005275	1.75	15,403
Stadium 10,000 plus seat	0.09%	249,700,000	0.56%	0.000563	0.19	140,581
Total	100.00%	44,583,904,850	100.0%			162,200,547

Commercial tourism/economic development rate

0.000000

0.00

Commercial - combined general and tourism/economic development rates

0.007536

2.50

Summary of Total Rates

	2025/26	2024/25	Inc (Dec)	% Inc (Dec)
Residential	202,563,880	183,289,250	19,274,630	10.5%
Lifestyle	10,585,160	9,934,290	650,870	6.6%
Commercial	82,430,376	75,401,360	7,029,016	9.3%
Farmland	6,644,609	6,249,130	395,479	6.3%
Total	302,224,025	274,874,030	27,349,995	9.95%

Sample Rate Accounts

	CV	2024/25	2025/26	Increase	Increase %
Residential					
Average CV	658,445				
General Rates		1,890	1,985	94	5.0%
Community Services		117	121	4	3.4%
Kerbside Collection		301	380	79	26.4%
Water		590	672	82	13.9%
Drainage		776	887	111	14.3%
Total		3,674	4,045	371	10.1%
Residential					
Median CV	590,000				
General Rates		1,697	1,778	81	4.8%
Community Services		117	121	4	3.4%
Kerbside Collection		301	380	79	26.4%
Water		590	672	82	13.9%
Drainage		776	887	111	14.3%
Total		3,481	3,839	357	10.3%
Commercial					
Average CV	2,155,224				
General Rates		15,201	16,242	1,041	6.8%
Community Services		117	121	4	3.4%
Tourism Economic		184	-	(184)	(100.0%)
Fire Protection		1,621	1,864	243	15.0%
Drainage		776	887	111	14.3%
Drainage CV		5,690	6,545	855	15.0%
Total		23,590	25,659	2,070	8.8%
Rural					
Average CV	1,668,999				
General Rates		3,816	4,024	208	5.4%
Community Services		117	121	4	3.4%
Total		3,933	4,145	212	5.4%
Lifestyle					
Average CV	1,158,802				
General Rates		3,167	3,318	150	4.7%
Community Services		117	121	4	3.4%
Kerbside Collection		301	380	79	26.4%
Total		3,585	3,819	234	6.5%

Other Sample Properties Rates

	CV	2024/25	2025/26	Increase	Increase %
Residential					
Example	345,000	2,777	3,100	324	11.7%
Example	430,000	3,021	3,356	335	11.1%
Lower Quartile	490,000	3,194	3,537	344	10.8%
Mode	530,000	3,395	3,658	263	7.7%
Median Value	590,000	3,481	3,839	357	10.3%
Average	658,445	3,674	4,045	371	10.1%
Example	671,000	3,714	4,083	368	9.9%
Upper Quartile	750,000	3,942	4,321	379	9.6%
Example	910,000	4,402	4,803	401	9.1%
Example	1,050,000	4,805	5,225	420	8.7%
Commercial					
Lower Quartile	355,000	4,713	5,068	356	7.6%
Median Value	690,000	8,118	8,900	782	9.6%
Upper Quartile	1,610,000	17,869	19,423	1,554	8.7%
Average	2,155,224	23,590	25,659	2,070	8.8%
Example	3,150,000	34,315	37,038	2,723	7.9%
Example	6,740,000	72,405	78,100	5,695	7.9%
Example	7,890,000	84,607	91,254	6,647	7.9%
Example	10,300,000	110,177	118,819	8,642	7.8%
Rural (General and Community Services Rates only)					
Median Value	811,000	1,977	2,076	99	5.0%
Average	1,668,999	3,933	4,145	212	5.4%
Upper Quartile	1,935,500	4,558	4,787	230	5.0%
Example	2,310,000	5,432	5,690	258	4.8%
Example	3,720,000	8,677	9,090	413	4.8%
Example	4,010,000	9,344	9,789	445	4.8%
Example	6,690,000	15,511	16,251	740	4.8%
Example	10,020,000	23,173	24,279	1,106	4.8%
Example	13,100,000	30,260	31,705	1,445	4.8%
Lifestyle (General, Community Services & Kerbside Collection Rates only)					
Example	625,000	2,126	2,291	165	7.7%
Example	790,000	2,577	2,763	186	7.2%
Lower Quartile	840,000	2,714	2,906	193	7.1%
Median Value	1,150,000	3,561	3,794	233	6.5%
Average Value	1,158,802	3,585	3,819	234	6.5%
Mode Value	1,200,000	3,698	3,937	239	6.5%
Upper Quartile	1,420,000	4,299	4,567	268	6.2%
Example	2,600,000	7,524	7,945	421	5.6%