

2022-23 RATING METHOD

Department: Finance

EXECUTIVE SUMMARY

- 1 The draft budget as presented for 2022-23 proposes an overall increase in rates of 6.5%. 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.
- 2 The proposed changes to the rating method are discussed in this report. These include increases to the community services targeted rate (increase of 1.47%) and the stadium differentiated rates (increase of 1.4%).

RECOMMENDATIONS

That the Council, for the purposes of the draft budget:

- a) **Approves** an increase in the community services targeted rate for the 2022-23 year of \$1.50 to \$103.50 including GST.
- b) **Approves** an increase in the Stadium 10,000 plus seat differentiated rates for the 2022-23 year based on the June 2021 Local Government Cost Index of 1.4%.
- c) **Approves** the current rating method for the setting of all other rates for the 2022-23 year.

BACKGROUND

- 3 The purpose of this report is to demonstrate the impact of the proposed rate increase by property and property category for the 2022-23 year and confirm the proposed changes to the rating method.
- 4 Please note that unless specified, all rating figures in this report are GST inclusive.

DISCUSSION

- 5 The overall increase in rates to be collected is driven by the draft budget for 2022-23 which proposes a 6.5% increase. This increase in rates is collected using the rating method.
- 6 The rating method comprises two main elements, general rates and targeted rates, as demonstrated on 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.

Community Services Rate

- 7 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. Allowing for an increase based on the June 2021 Local Government Cost Index (LGCI) of 1.4% would increase this from \$102.00 to \$103.50 for the 2022-23 year.

Stadium Rates

- 8 The Council has a rating differential for the 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 the 2013-14 year, the differentiated Stadium rates have been inflation adjusted annually. For the 2022-23 year, it is proposed to increase these rates by the June 2021 LGCI of 1.4%.

Overall Impact

- 9 The following table shows the overall rates income (including GST) by property category for 2021-22 and 2022-23.

Category	2021-22 (\$'000)	2022-23 (\$'000)	\$ change (\$'000)	% change
Residential	134,227	142,762	8,535	6.4%
Lifestyle	6,701	7,124	423	6.3%
Commercial	60,000	64,069	4,069	6.8%
Farmland	5,065	5,427	362	7.2%
Total	205,993	219,382	13,389	6.5%

- 10 Attachment C provides sample property rate changes for each category of property. The sample property rate changes incorporate:
- The forecast rate increase of 6.5%,
 - An increase of 1.47%, \$1.50 in the community services rate, and
 - An increase of 1.4% in the differentiated rates paid by the Stadium.

Rate Maximum

- 11 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 21% of total rates revenue.

OPTIONS

- 12 No options are provided as this report is giving effect to the current rating method and previous decisions of the Council.

NEXT STEPS

- 13 While the Council is engaging with the community on the annual plan 2022/23, 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

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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 well-being of communities in the present and for the future.

Fit with strategic framework

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

The annual plan 2022-23 contributes to objectives across the strategic framework, as it describes the Council's activities, which are aligned to community outcomes. It also 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 Council is committed to developing ongoing relationships with Māori communities, particularly with mana whenua. Strategic projects that have significance to Māori have been identified from across the organisation and these projects will work collaboratively with the Maori Partnerships Manager to ensure beneficial outcomes for Māori are achieved.

Sustainability

Sustainability is an underlying principle of the DCC's strategic framework. Activity in the annual plan 2022-23 supports the DCC to embed the principles of sustainability across DCC work.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

The rating method gives effect to the draft budget. The financial implications of the draft budget are discussed in annual plan 2022-23 overview report and the group budget reports. The application of the rating method is consistent with the 10 year plan 2021-2031.

Financial considerations

The rating method gives effect to the draft budget. The financial implications of the draft budget are discussed in annual plan 2022-23 overview report and the group budget reports.

Significance

The 10 year plan 2021-31 budgets, including the rating method, were considered significant in terms of the Council's Significance and Engagement Policy, and were consulted on. Variations to those budgets and rating method are not considered significant in terms of the policy.

SUMMARY OF CONSIDERATIONS

Engagement – external

There will be an opportunity for the community to provide feedback during the engagement process.

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

		2021-22 Current		2022-23 Proposed		Increase/(Decrease)		
Rates (Including GST)	Basis of Rate Note 1	Rate	Rates Collected	Rate	Rates Collected	Rate	Rates Collected	Rates Collected
		Note 2	\$'000	Note 2	\$'000		\$'000	%
General Rates								
Rate in \$, Capital Value, Differentiated								
Residential	cv	0.3091	69,246	0.3292	74,286	6.5%	5,040	7.3%
Lifestyle	cv	0.2937	5,792	0.3127	6,178	6.5%	386	6.7%
Commercial	cv	0.7604	37,930	0.8130	40,600	6.9%	2,670	7.0%
Farmland	cv	0.2473	4,379	0.2633	4,663	6.5%	284	6.5%
Residential Heritage Bed & Breakfast	cv	0.5410	24	0.5760	26	6.5%	2	6.5%
Stadium 10,000 plus seat	cv	0.0621	116	0.0630	118	1.4%	2	1.4%
Total General Rates			117,487		125,871		8,383	7.1%
Targeted Rates								
Community Services								
Residential, Farmland, Lifestyle, Utilities	suip	102.00	5,546	103.50	5,656	1.5%	110	2.0%
Commercial	ru	102.00	284	103.50	287	1.5%	3	1.1%
Total Community Services			5,830		5,943		113	1.9%
Tourism/Economic Development								
Commercial	cv	0.0116	573	0.0116	572	-0.3%	(0)	-0.0%
Stadium 10,000 plus seat	cv	0.0013	2	0.0013	3	1.4%	0	1.4%
Total Tourism/Economic Development			575		575		0	0.0%
Drainage								
Fixed Charge								
Residential, Lifestyle & Farmland (Note 3)	suip	618.50	29,867	655.00	31,780	5.9%	1,913	6.4%
Commercial, Residential Institutions, Schools (Note 3)	ru	618.50	1,758	655.00	1,858	5.9%	100	5.7%
Churches	ru	102.25	12	102.25	12	0.0%	0	0.0%
Rate in \$ CV								
Commercial & Residential Institutions (Note 3)	cv	0.2878	15,074	0.3057	16,104	6.2%	1,030	6.8%
Schools (Note 3)	cv	0.1684	697	0.1788	739	6.2%	42	6.0%
Stadium 10,000 plus seat	cv	0.0013	44	0.0013	44	1.4%	1	1.4%
Total Drainage Rates			47,452		50,537		3,086	6.5%
Kerbside Recycling Collection Fixed Charge								
Residential, Farmland, Lifestyle, Utilities	suip	106.10	5,318	106.10	5,357	0.0%	38	0.7%
Commercial	ru	106.10	29	106.10	29	0.0%	1	2.2%
Total Kerbside Collection Rates			5,347		5,386		39	0.7%
Water								
Fixed Charge								
Residential, Lifestyle & Farmland (Note 3)	suip/unit	469.00	23,615	497.00	25,149	6.0%	1,534	6.5%
Fire Protection	suip	140.70	23	149.10	26	6.0%	3	13.0%
Fire Protection, Rate in \$ CV								
Commercial	cv	0.0826	4,676	0.0874	4,983	5.8%	307	6.6%
Residential Institutions	cv	0.0620	321	0.0656	339	5.8%	18	5.6%
Stadium 10,000 plus seat	cv	0.0094	18	0.0095	18	1.4%	0	1.4%
Total Water Rates			28,653		30,515		1,862	6.5%
Other Targeted Rates								
Private Street Lighting	suip	149.40	35	149.40	35	0.0%	0	0.0%
Allanton	suip	411.00	22	411.00	22	0.0%	0	0.0%
Blanket Bay	suip	636.00	1	636.00	1	0.0%	0	0.0%
Curles Point	suip	749.00	1	749.00	1	0.0%	0	0.0%
Total Other Rates			59		59		0	0.0%
Voluntary Targeted Rates								
Warm Dunedin	suip	various	590	various	496		(94)	-16.0%
Total Voluntary Rates			590		496		(94)	-16.0%
Total Rates Including GST			205,993		219,382		13,389	6.5%
Total Rates Excluding GST			179,124		190,767		11,642	6.5%
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

	2022/23	2021/22	Increase	Increase
Community Services	103.50	102.00	1.50	1.5%
Kerbside Recycling	106.10	106.10	0.00	0.0%
Water	497.00	469.00	28.00	6.0%
Drainage	655.00	618.50	36.50	5.9%
Total Fixed Charges	1,361.60	1,295.60	66.00	5.1%

Summary of General Rates

	General Rate Share	Total CV	CV %ages	General Rate Rate in \$	General Rate Factor	General Rates Paid
Residential	59.02%	22,568,582,180	71.5%	0.003292	1.00	74,287,498
Lifestyle	4.91%	1,976,150,500	6.3%	0.003127	0.95	6,178,500
Commercial	32.25%	5,047,581,150	16.0%	0.008130	2.47	40,599,605
Farmland	3.70%	1,770,860,150	5.6%	0.002633	0.80	4,662,675
Residential Heritage B&B	0.02%	4,465,000	0.0%	0.005760	1.75	25,718
Stadium 10,000 plus seat	0.09%	187,300,000	0.6%	0.000630	0.19	117,999
Total	100.00%	31,554,938,980	100.0%			125,871,995

Summary of Total Rates

	2022/23	2021/22	Inc (Dec)	% Inc (Dec)
Residential	142,762,600	134,227,100	8,535,500	6.4%
Lifestyle	7,124,200	6,701,300	422,900	6.3%
Commercial	64,068,500	59,999,700	4,068,800	6.8%
Farmland	5,426,700	5,064,500	362,200	7.2%
Total	219,382,000	205,992,600	13,389,400	6.5%

Sample Rate Accounts
Average Capital Value Rates

	CV	2021/22 Rates	2022/23 Rates	Increase	Increase %
Residential					
Average CV	464,400				
General Rates		1,435	1,529	93	6.5%
Community Services		102	104	2	1.5%
Kerside Recycling		106	106	0	0.0%
Water		469	497	28	6.0%
Drainage		619	655	37	5.9%
Total		2,731	2,890	159	5.8%
Residential					
Median CV	420,000				
General Rates		1,298	1,383	84	6.5%
Community Services		102	104	2	1.5%
Kerside Recycling		106	106	0	0.0%
Water		469	497	28	6.0%
Drainage		619	655	37	5.9%
Total		2,594	2,744	150	5.8%
Commercial					
Average CV	1,605,000				
General Rates		12,204	13,049	844	6.9%
Community Services		102	104	2	1.5%
Tourism Economic		187	186	(1)	-0.3%
Fire Protection		1,326	1,403	77	5.8%
Drainage		619	655	37	5.9%
Drainage CV		4,619	4,906	287	6.2%
Total		19,056	20,302	1,246	6.5%
Farmland					
Average CV	1,265,000				
General Rates		3,128	3,331	202	6.5%
Community Services		102	104	2	1.5%
Total		3,230	3,434	204	6.3%
Lifestyle					
Average CV	746,000				
General Rates		2,191	2,333	142	6.5%
Community Services		102	104	2	1.5%
Total		2,293	2,436	143	6.2%

Other Sample Properties Rates

	CV	2021/22 Rates	2022/23 Rates	Increase	Increase %
Residential					
Example	275,000	2,146	2,267	121	5.7%
Example	320,000	2,285	2,415	130	5.7%
Lower Quartile	345,000	2,362	2,497	135	5.7%
Mode	385,000	2,486	2,629	143	5.8%
Median Value	420,000	2,594	2,744	150	5.8%
Average	464,400	2,731	2,890	159	5.8%
Upper Quartile	530,000	2,934	3,106	173	5.9%
Example	600,000	3,150	3,337	187	5.9%
Example	750,000	3,614	3,831	217	6.0%
Example	1,000,000	4,387	4,654	267	6.1%
Commercial					
Lower Quartile	245,000	3,519	3,742	222	6.3%
Median Value	495,000	6,375	6,786	411	6.4%
Upper Quartile	1,150,000	13,858	14,762	904	6.5%
Average	1,605,000	19,056	20,302	1,246	6.5%
Example	2,345,000	27,510	29,313	1,803	6.6%
Example	5,500,000	63,554	67,731	4,178	6.6%
Example	10,800,000	124,102	132,269	8,167	6.6%
Farmland (General and Community Services Rates only)					
Median Value	550,000	1,462	1,552	90	6.1%
Average	1,265,000	3,230	3,434	204	6.3%
Upper Quartile	1,430,000	3,638	3,869	230	6.3%
Example	2,060,000	5,196	5,527	331	6.4%
Example	2,250,000	5,666	6,028	362	6.4%
Example	3,270,000	8,189	8,713	525	6.4%
Example	4,230,000	10,563	11,241	678	6.4%
Example	7,250,000	18,031	19,193	1,162	6.4%
Example	10,300,000	25,574	27,223	1,650	6.4%
Lifestyle (General and Community Services Rates only)					
Lower Quartile	510,000	1,600	1,698	98	6.2%
Median Value	725,000	2,231	2,371	139	6.2%
Average	746,000	2,293	2,436	143	6.2%
Example	745,000	2,290	2,433	143	6.2%
Upper Quartile	930,000	2,833	3,012	178	6.3%