

2023-24 RATING METHOD

Department: Finance

EXECUTIVE SUMMARY

- 1 The draft budget as presented for 2023-24 includes 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 (new improvements, new homes and the impact of the 2022 general revaluation).
- 2 The proposed changes to the rating method are discussed in this report. These include increases to the community services targeted rate (increase of 7.7%) and the stadium differentiated rates (increase of 7.6%).
- 3 The 2022 general revaluation has resulted in a redistribution of general rates between properties and property categories.

RECOMMENDATIONS

That the Council, for the purposes of the community engagement:

- a) **Approves** an increase in the community services targeted rate for the 2023-24 year of \$8.00 to \$111.50 including GST.
- b) **Approves** an increase in the Stadium 10,000 plus seat differentiated rates for the 2023-24 year based on the June 2022 Local Government Cost Index of 7.6%.
- c) **Approves** the current rating method for the setting of all other rates for the 2023-24 year.

BACKGROUND

- 4 The purpose of this report is to demonstrate the impact of the proposed rate increase by property and property category for the 2023-24 year, confirm the proposed changes to the rating method and discuss the impact of the 2022 general revaluation.
- 5 Please note that unless specified, all rating figures in this report are GST inclusive.

DISCUSSION

- 6 The overall increase in rates to be collected is driven by the draft budget for 2023-24 which includes a 6.50% increase. This increase in rates is collected using the rating method.

- 7 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.
- 8 DCC rates are made up of general rates (57%) and targeted rates (43%). General rates are based on capital value. Targeted rates are made up of fixed charges (76%) and rates based on capital value (24%). When property values change as a result of a revaluation, the largest impact relates to the general rate.
- 9 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.
- 10 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 paid by commercial properties for the current year is 2.45 times more than the rate paid by residential properties.
- 11 Targeted rates fund particular activities and are either fixed charges, ie the same amount per property, or collected as a rate in the dollar on the CV of each property.
- 12 The impact of a rates increase on individual properties is driven by the budget increase, the rating method (how we rate), changes in the property database (for example, new improvements or new houses) and the 2022 general revaluation.

Community Services Rate

- 13 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 2022 Local Government Cost Index (LGCI) of 7.6% would increase this from \$103.50 to \$111.50 for the 2023-24 year.

Stadium Rates

- 14 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 the 2013-14 year, the differentiated Stadium rates have been inflation adjusted annually. For the 2023-24 year, it is proposed to increase these rates by the June 2022 LGCI of 7.6%.

Revaluation Impact

- 15 Dunedin properties were revalued as at 1 July 2022 and these property values form the basis for rating for the 2023-24 rating year.
- 16 Overall, there has been a 38.6% increase in capital value (CV) of Dunedin properties. The table below shows the overall change in CV by property category for all properties that pay the general rate.

	Old Capital Value ¹ 2022-23	% of CV	New Capital Value 2023-24	% of CV	CV Inc/(Dec)	% Inc/ (Dec)
Residential	22,672,265,180	71.6	31,549,486,700	71.9	8,877,221,520	39.2
Lifestyle	1,982,885,500	6.2	3,057,042,500	6.9	1,074,157,000	54.2
Commercial	5,056,602,150	16.0	6,767,806,200	15.4	1,711,204,050	33.8
Farmland	1,773,749,700	5.6	2,267,243,650	5.2	493,493,950	27.8
Heritage B&Bs	3,465,000	0.0	4,300,000	0.0	835,000	24.1
Stadium	187,300,000	0.6	249,700,000	0.6	62,400,000	33.3
Total	31,676,267,530	100.0	43,895,579,050	100.0	12,219,311,520	38.6

- 17 The impact on rates paid by individual properties depends on whether a property's CV has changed by more than, or less than, the overall increase or decrease in CV. For example, if the CV of a particular property increased by more than the overall increase, then the general rate for this property would increase by more than the overall increase.

Overall Impact

- 18 The following table shows the overall rates income (including GST) by property category for 2022-23 and 2023-24.

Category	2022-23 (\$'000)	2023-24 (\$'000)	\$ change (\$'000)	% change
Residential	142,926	152,270	9,344	6.5%
Lifestyle	7,140	8,628	1,488	20.8%
Commercial	63,894	67,185	3,291	5.2%
Farmland	5,422	5,559	137	2.5%
Total	219,382	233,642	14,260	6.5%

- 19 Attachment C provides sample property rate changes for each category of property. The sample property rate changes incorporate:

- The forecast rate increase of 6.50%,
- An increase of 7.7%, \$8.00 in the community services rate, and
- An increase of 7.6% in the differentiated rates paid by the Stadium.

Rate Maximum

- 20 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 20% of total rates revenue.

¹ Includes properties liable for 50% general rates.

OPTIONS

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

NEXT STEPS

- 22 While the Council is engaging with the community on the annual plan 2023-24, 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 2023-24 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 Māori 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 2023-24 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 2023-24 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 2023-24 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

		2022-23 Current		2023-24 Proposed		Increase/(Decrease)		
Rates (Including GST)	Basis of Rate	Rate	Rates Collected	Rate	Rates Collected	Rate	Rates Collected	Rates Collected
	Note 1	Note 2	\$'000	Note 2	\$'000		\$'000	%
General Rates								
Rate in \$, Capital Value, Differentiated								
Residential	cv	0.3284	74,459	0.2636	83,172	-19.7%	8,713	11.7%
Lifestyle	cv	0.3120	6,186	0.2504	7,655	-19.7%	1,469	23.7%
Commercial	cv	0.8079	40,418	0.6511	43,546	-19.4%	3,128	7.7%
Farmland	cv	0.2627	4,660	0.2109	4,782	-19.7%	122	2.6%
Residential Heritage Bed & Breakfast	cv	0.5747	20	0.4613	20	-19.7%	(0)	-0.4%
Stadium 10,000 plus seat	cv	0.0630	118	0.0508	127	-19.4%	9	7.5%
Total General Rates			125,861		139,302		13,441	10.7%
Targeted Rates								
Community Services								
Residential, Farmland, Lifestyle, Utilities	suip	103.50	5,667	111.50	6,132	7.7%	465	8.2%
Commercial	ru	103.50	287	111.50	312	7.7%	25	8.7%
Total Community Services			5,954		6,444		490	8.2%
Tourism/Economic Development								
Commercial	cv	0.0116	572	0.0087	572	-25.1%	(0)	-0.0%
Stadium 10,000 plus seat	cv	0.0013	3	0.0011	3	-19.3%	0	7.6%
Total Tourism/Economic Development			575		575		(0)	0.0%
Drainage								
Fixed Charge								
Residential, Lifestyle & Farmland (Note 3)	suip	654.00	31,783	654.00	31,928	0.0%	145	0.5%
Commercial, Residential Institutions, Schools (Note 3)	ru	654.00	1,854	654.00	1,859	0.0%	5	0.3%
Churches	ru	102.25	12	102.25	12	0.0%	0	0.0%
Rate in \$ CV								
Commercial & Residential Institutions (Note 3)	cv	0.3055	16,103	0.2245	16,062	-26.5%	(41)	-0.3%
Schools (Note 3)	cv	0.2291	740	0.1684	766	-26.5%	26	3.5%
Stadium 10,000 plus seat	cv	0.0236	44	0.0190	48	-19.4%	3	7.6%
Total Drainage Rates			50,536		50,675		138	0.3%
Kerbside Recycling Collection Fixed Charge								
Residential, Farmland, Lifestyle, Utilities	suip	106.10	5,356	106.10	5,411	0.0%	55	1.0%
Commercial	ru	106.10	30	106.10	32	0.0%	2	6.0%
Total Kerbside Collection Rates			5,386		5,443		57	1.1%
Water								
Fixed Charge								
Residential, Lifestyle & Farmland (Note 3)	suip/unit	496.00	25,146	496.00	25,254	0.0%	108	0.4%
Fire Protection	suip	148.80	26	148.80	26	0.0%	0	0.0%
Fire Protection, Rate in \$ CV								
Commercial	cv	0.0873	4,986	0.0640	5,029	-26.7%	43	0.9%
Residential Institutions	cv	0.0655	339	0.0480	313	-26.7%	(26)	-7.7%
Stadium 10,000 plus seat	cv	0.0095	18	0.0077	19	-19.3%	1	7.6%
Total Water Rates			30,515		30,641		126	0.4%
Other Targeted Rates								
Private Street Lighting	suip	149.40	35	149.40	43	0.0%	8	22.9%
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		67		8	13.5%
Voluntary Targeted Rates								
Warm Dunedin	suip	various	496	various	496		0	0.0%
Total Voluntary Rates			496		496		0	0.0%
Total Rates Including GST			219,382		233,642		14,260	6.5%
Total Rates Excluding GST			190,767		203,167		12,400	6.5%
Check			0.0		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

	2023/24	2022/23	Increase	Increase
Community Services	111.50	103.50	8.00	7.7%
Kerbside Recycling	106.10	106.10	0.00	0.0%
Water	496.00	496.00	0.00	0.0%
Drainage	654.00	654.00	0.00	0.0%
Total Fixed Charges	1,367.60	1,359.60	8.00	0.6%

Summary of General Rates

	General Rate Share	Total CV	CV %	General Rate Rate in \$	General Rates Factor	General Rates Paid
Residential	59.71%	31,549,486,700	71.87%	0.002636	1.00	83,172,372
Lifestyle	5.50%	3,057,042,500	6.96%	0.002504	0.95	7,654,834
Commercial	31.26%	6,767,806,200	15.42%	0.006511	2.47	43,546,043
Farmland	3.43%	2,267,243,650	5.17%	0.002109	0.80	4,781,617
Residential Heritage B&B	0.01%	4,300,000	0.01%	0.004613	1.75	19,836
Stadium 10,000 plus seat	0.09%	249,700,000	0.57%	0.000508	0.19	126,848
Total	100.00%	43,895,579,050	100.0%			139,301,550

Commercial tourism/economic development rate

0.000087 0.03

Commercial - combined general and tourism/economic development rates

0.006598 2.50

Summary of Total Rates

	2023/24	2022/23	Inc (Dec)	% Inc (Dec)
Residential	152,270,260	142,926,580	9,343,680	6.5%
Lifestyle	8,628,060	7,139,770	1,488,290	20.8%
Commercial	67,185,270	63,893,620	3,291,650	5.2%
Farmland	5,558,460	5,422,070	136,390	2.5%
Total	233,642,050	219,382,040	14,260,010	6.5%

Sample Rate Accounts
Average Capital Value (CV) Rates

	CV	CV Old	CV Increase	2022/23	2023/24	Increase	Increase %
Residential							
Average CV	654,000	472,000	38.6%				
General Rates				1,550	1,724	174	11.2%
Community Services				104	112	8	7.7%
Kerside Recycling				106	106	0	0.0%
Water				496	496	0	0.0%
Drainage				654	654	0	0.0%
Total				2,910	3,092	182	6.3%
Residential							
Median CV	590,000	420,000	40.5%				
General Rates				1,379	1,555	176	12.8%
Community Services				104	112	8	7.7%
Kerside Recycling				106	106	0	0.0%
Water				496	496	0	0.0%
Drainage				654	654	0	0.0%
Total				2,739	2,923	184	6.7%
Commercial							
Average CV	2,138,000	1,602,000	33.5%				
General Rates				12,943	13,921	978	7.6%
Community Services				104	112	8	7.7%
Tourism Economic				186	185	(1)	-0.3%
Fire Protection				1,399	1,368	(30)	-2.2%
Drainage				654	654	0	0.0%
Drainage CV				4,894	4,800	(94)	-1.9%
Total				20,179	21,039	861	4.3%
Farmland							
Average CV	1,668,000	1,300,000	28.3%				
General Rates				3,415	3,518	103	3.0%
Community Services				104	112	8	7.7%
Total				3,519	3,629	111	3.1%
Lifestyle							
Average CV	1,200,000	650,000	84.6%				
General Rates				2,028	3,005	977	48.2%
Community Services				104	112	8	7.7%
Total				2,132	3,116	985	46.2%

Other Sample Properties Rates

	CV	CV Old	CV Increase	2022/23	2023/24	Increase	Increase %
Residential							
Example	345,000	275,000	25.5%	2,263	2,277	14	0.6%
Example	430,000	320,000	34.4%	2,410	2,501	91	3.8%
Lower Quartile	490,000	345,000	42.0%	2,493	2,659	167	6.7%
Mode	530,000	390,000	35.9%	2,640	2,765	124	4.7%
Median Value	590,000	420,000	40.5%	2,739	2,923	184	6.7%
Average	654,000	472,000	38.6%	2,910	3,092	182	6.3%
Example	671,000	486,000	38.1%	2,956	3,136	181	6.1%
Upper Quartile	750,000	535,000	40.2%	3,117	3,345	228	7.3%
Example	850,000	615,000	38.2%	3,379	3,608	229	6.8%
Example	1,050,000	770,000	36.4%	3,888	4,135	247	6.4%
Commercial							
Lower Quartile	360,000	235,000	53.2%	3,606	4,179	573	15.9%
Median Value	680,000	485,000	40.2%	6,637	7,214	577	8.7%
Upper Quartile	1,580,000	1,150,000	37.4%	14,699	15,748	1,049	7.1%
Average	2,138,000	1,602,000	33.5%	20,179	21,039	861	4.3%
Example	2,830,000	2,240,000	26.3%	27,913	27,601	(312)	-1.1%
Example	3,150,000	2,280,000	38.2%	28,398	30,636	2,238	7.9%
Example	7,890,000	5,440,000	45.0%	66,707	75,584	8,877	13.3%
Example	10,300,000	7,290,000	41.3%	89,134	98,437	9,303	10.4%
Farmland (General and Community Services Rates only)							
Median Value	800,000	583,500	37.1%	1,636	1,799	162	9.9%
Average	1,668,000	1,300,000	28.3%	3,519	3,629	111	3.1%
Upper Quartile	1,920,000	1,460,000	31.5%	3,939	4,161	222	5.6%
Example	2,310,000	1,790,000	29.1%	4,806	4,983	177	3.7%
Example	3,440,000	2,660,000	29.3%	7,091	7,366	275	3.9%
Example	4,470,000	3,585,000	24.7%	9,521	9,539	17	0.2%
Example	9,160,000	8,570,000	6.9%	22,617	19,430	(3,187)	-14.1%
Example	10,120,000	7,250,000	39.6%	19,149	21,455	2,305	12.0%
Example	13,100,000	10,300,000	27.2%	27,162	27,739	578	2.1%
Lifestyle (General and Community Services Rates only)							
Example	250,000	140,000	78.6%	540	738	197	36.5%
Example	625,000	353,500	76.8%	1,206	1,677	470	39.0%
Example	630,000	400,000	57.5%	1,352	1,689	338	25.0%
Lower Quartile	836,250	520,000	60.8%	1,726	2,205	480	27.8%
Median Value	1,140,000	730,000	56.2%	2,381	2,966	585	24.6%
Average Value	1,157,000	752,000	53.9%	2,450	3,009	559	22.8%
Mode Value	1,200,000	650,000	84.6%	2,132	3,116	985	46.2%
Upper Quartile	1,410,000	940,000	50.0%	3,036	3,642	606	20.0%
Example	1,800,000	1,160,000	55.2%	3,723	4,619	896	24.1%