

RATING METHOD 2024/25

Department: Finance

EXECUTIVE SUMMARY

- 1 The draft budget as presented for 2024/25 includes an overall increase in rates of 17.5%. 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 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 4.9%) and the Stadium differentiated rates (increase of 4.9%).
- 3 The Kerbside Collection targeted rate continues as a flat targeted rate to fund the new Kerbside Collection Service in keeping with the current rating method.

RECOMMENDATIONS

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

- a) **Approves** an increase in the Community Services targeted rate for the 2024/25 year of \$5.50 to \$117.00 including GST.
- b) **Approves** an increase in the Stadium 10,000 plus seat differentiated rates for the 2024/25 year based on the June 2023 Local Government Cost Index of 4.9%.
- c) **Approves** the current rating method for the setting of all other rates for the 2024/25 year.
- d) **Revokes** the decision made at the meeting of 28 November 2023, to combine the tourism/economic development targeted rate into the commercial general rate.
- e) **Notes** that a decision to combine the tourism/economic development targeted rate into the commercial general rate will be requested as part of the development of the 9 year plan 2025-34.

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 2024/25 year and confirm the proposed changes to the rating method.

- 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. Prior to making this decision, 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 While there is no change to the rates collected from commercial ratepayers as a result of this resolution, it is recommended that this resolution be revoked for the purposes of preparing an Annual Plan 2024/25 but be considered again during the preparation of the 9 year plan 2025-34.
- 9 At the same Council meeting, in response to a request from Council, staff also provided a report outlining funding options for both flat and progressive targeted rates to fund a new Kerbside Collection Service. Council resolved as follows:

Moved (Cr Bill Acklin/Cr Kevin Gilbert):

That the Council:

- a) **Funds** the new kerbside collection service from 1 July 2024 using a flat targeted rate (the current rating method).

Motion carried (CNL/2023/281)

- 10 Please note that unless specified, all rating figures in this report are GST inclusive.

DISCUSSION

- 11 The overall increase in rates to be collected is driven by the draft budget for 2024-25 which includes a 17.5% rate increase. This increase in rates is collected using the rating method.
- 12 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.

- 13 DCC rates are made up of general rates (56%) and targeted rates (44%). General rates are based on capital value. Targeted rates are made up of fixed charges (78%) and rates based on capital value (22%). When property values change because of a revaluation, the largest impact is on the general rate.
- 14 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.
- 15 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 2.5 times more than the rate paid by residential properties.
- 16 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.
- 17 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).

Kerbside Collection Rate

- 18 As part of the 10 year plan 2021-31, Council resolved to introduce a new Kerbside Collection service consisting of four bins estimated to cost between \$270 - \$310 per year. Council uses targeted rates to pay for its Kerbside Collection services. Properties receiving the service are charged the flat rate for every separately used or inhabited part (SUIP). Commercial properties are charged the flat rate for each individual rating unit.
- 19 In November 2023, staff provided Council with the option to change the way the service was funded from the current method of a flat targeted rate to a progressive targeted rate or a combination of both. It was indicated at that time that the estimated cost had increased to \$320 - \$340 per year.
- 20 As per the Council resolution on 28 November 2023, the Kerbside Collection service will continue to be funded by a flat targeted rate.
- 21 Based on actual costs, the Kerbside Collection targeted rate will increase from \$106.10 to \$301.50 to fund the enhanced Kerbside Collection service which will commence in July 2024.

Community Services Rate

- 22 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 2023 Local Government Cost Index (LGCI) of 4.9% would increase this rate from \$111.50 to \$117.00, an increase of \$5.50 per property, for the 2024/25 year.
- 23 Council may decide to keep this rate at \$111.50. 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 property (being \$590,000), the impact of not increasing the community services rate would be

a saving of \$2.00, i.e., \$5.50 would be saved on the fixed rate but the general rate would increase by \$3.50.

Stadium Rates

- 24 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 2024/25 year, it is proposed to increase these rates by the June 2023 LGCI of 4.9%.

Overall Impact

- 25 The following table shows the overall rates income (including GST) by property category for 2023/24 and 2024/25.

Category	2023/24 (\$'000)	2024/25 (\$'000)	\$ change (\$'000)	% change
Residential	152,945	182,605	29,660	19.4%
Lifestyle	8,469	9,851	1,382	16.3%
Commercial	67,010	76,150	9,140	13.6%
Farmland	5,437	6,181	744	13.7%
Total	233,861	274,787	40,926	17.5%

- 26 Attachment C provides sample property rate changes for each category of property. The increase for residential and lifestyle properties show the overall increase in rates proposed and the increase excluding kerbside. The sample property rate changes incorporate:

- The forecast rate increase of 17.5%, including the increase for the kerbside collection service
- An increase of 4.9%, \$5.50 in the Community Services rate, and
- An increase of 4.9% in the differentiated rates paid by the Stadium.

- 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 our city. Growth in the property database will result in individual property rates reducing.

Rate Maximum

- 27 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 23% of total rates revenue.

OPTIONS

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

NEXT STEPS

- 29 While the Council is engaging with the community on the draft 2024/25 Annual Plan, rate account information will be available on the DCC website that shows the proposed rating impact by individual rate account.

Signatories

Author:	Lara McBride - Assistant Accountant - Compliance
Authoriser:	Carolyn Allan - Chief Financial Officer

Attachments

	Title	Page
↓A	Summary of Current and Proposed Rates	41
↓B	Summary Information	42
↓C	Sample Rate Accounts	43

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"/>
Spatial Plan	✓	<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 Annual Plan contributes to objectives across the strategic framework, as it describes the Council's activities, which are aligned to community outcomes.

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 Annual Plan consultation process through a series of planned hui.

Sustainability

Sustainability is an underlying principle of the DCC's strategic framework. The Annual Plan 2024/25 is not proposing any changes to that provided for in the 10 year plan. Major issues and implications for sustainability are discussed in the Infrastructure Strategy and financial resilience is discussed in the Financial Strategy of the current 10 year plan 2021-31.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

The proposed rating method will be included as supporting documentation as part of the Annual Plan budget material during the community engagement period.

Financial considerations

The rating method gives effect to the draft budget. The financial implications of the draft budget are discussed Annual Plan 2024/25 overview report and the group budget reports.

Significance

The Annual Plan and rating are being consulted on.

Engagement – external

The content of the Annual Plan will be consulted on.

SUMMARY OF CONSIDERATIONS

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

		2023-24 Current		2024-25 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	0.2566	81,191	0.2886	91,931	12.5%	10,740	13.2%
Lifestyle	cv	0.2438	7,467	0.2741	8,436	12.4%	969	13.0%
Commercial	cv	0.6338	42,313	0.7128	47,763	12.5%	5,450	12.9%
Farmland	cv	0.2053	4,628	0.2309	5,201	12.5%	573	12.4%
Residential Heritage Bed & Breakfast	cv	0.4490	19	0.5050	22	12.5%	2	12.5%
Stadium 10,000 plus seat	cv	0.0508	127	0.0533	133	4.9%	6	4.9%
Total General Rates			135,745		153,486		17,741	13.1%
Targeted Rates								
Community Services								
Residential, Farmland, Lifestyle, Utilities	suip	111.50	6,150	117.00	6,490	4.9%	340	5.5%
Commercial	ru	111.50	311	117.00	328	4.9%	17	5.5%
Total Community Services			6,461		6,818		357	5.5%
Tourism/Economic Development								
Commercial	cv	0.0087	572	0.0086	572	-0.4%	(0)	(0.0%)
Stadium 10,000 plus seat	cv	0.0011	3	0.0012	3	6.3%	0	6.3%
Total Tourism/Economic Development			575		575		0	0.0%
Drainage								
Fixed Charge								
Residential, Lifestyle & Farmland (Note 3)	suip	683.00	33,424	779.50	38,397	14.1%	4,973	14.9%
Commercial, Residential Institutions, Schools (Note 3)	ru	683.00	1,939	779.50	2,220	14.1%	281	14.5%
Churches	ru	102.25	12	102.25	12	0.0%	0	0.0%
Rate in \$ CV								
Commercial & Residential Institutions (Note 3)	cv	0.2354	16,837	0.2699	19,418	14.7%	2,581	15.3%
Schools (Note 3)	cv	0.1766	804	0.2024	926	14.7%	122	15.2%
Stadium 10,000 plus seat	cv	0.0190	48	0.0199	50	4.7%	2	4.7%
Total Drainage Rates			53,064		61,023		7,959	15.0%
Kerbside Collection Fixed Charge								
Residential, Farmland, Lifestyle, Utilities	suip	106.10	5,451	301.50	15,556	184.2%	10,105	185.4%
Commercial	ru	106.10	32	301.50	93	184.2%	61	189.8%
Total Kerbside Collection Rates			5,483		15,649		10,166	185.4%
Water								
Fixed Charge								
Residential, Lifestyle & Farmland (Note 3)	suip/unit	517.00	26,408	590.00	30,372	14.1%	3,964	15.0%
Fire Protection	suip	155.10	27	177.00	31	14.1%	4	14.8%
Fire Protection, Rate in \$ CV								
Commercial	cv	0.0670	5,258	0.0768	6,056	14.6%	798	15.2%
Residential Institutions	cv	0.0503	330	0.0576	374	14.5%	44	13.3%
Stadium 10,000 plus seat	cv	0.0077	19	0.0081	20	5.2%	1	5.2%
Total Water Rates			32,042		36,853		4,811	15.0%
Other Targeted Rates								
Private Street Lighting	suip	149.40	43	149.40	46	0.0%	3	7.0%
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			67		70		3	4.5%
Voluntary Targeted Rates								
Warm Dunedin	suip	various	426	various	314		(112)	(26.2%)
Total Voluntary Rates			426		314		(112)	(26.2%)
Total Rates Including GST			233,863		274,788		40,925	17.5%
Total Rates Excluding GST			203,358		238,946		35,587	17.5%
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

	2024/25	2023/24	Increase	Increase
Community Services	117.00	111.50	5.50	4.9%
Kerbside Collection	301.50	106.10	195.40	184.2%
Water	590.00	517.00	73.00	14.1%
Drainage	779.50	683.00	96.50	14.1%
Total Fixed Charges	1,788.00	1,417.60	370.40	26.1%

Summary of General Rates

	General Rate Share	Total CV	CV %	General Rate Rate in \$	Factor	General Rates Paid
Residential	59.90%	31,857,443,700	72.04%	0.002886	1.00	91,930,574
Lifestyle	5.50%	3,077,816,000	6.96%	0.002741	0.95	8,436,294
Commercial	31.12%	6,780,524,300	15.33%	0.007128	2.47	47,763,262
Farmland	3.39%	2,252,451,150	5.09%	0.002309	0.80	5,200,910
Residential Heritage B&B	0.01%	4,300,000	0.01%	0.005050	1.75	21,715
Stadium 10,000 plus seat	0.09%	249,700,000	0.56%	0.000533	0.18	133,090
Total	100.00%	44,222,235,150	100.0%			153,485,844

Commercial tourism/economic development rate

0.000086

0.03

Commercial - combined general and tourism/economic development rates

0.007214

2.50

Summary of Total Rates

	2024/25	2023/24	Inc (Dec)	% Inc (Dec)
Residential	182,604,747	152,945,110	29,659,637	19.4%
Lifestyle	9,851,984	8,469,480	1,382,504	16.3%
Commercial	76,149,862	67,009,630	9,140,232	13.6%
Farmland	6,180,905	5,437,480	743,425	13.7%
Total	274,787,498	233,861,700	40,925,798	17.5%

Sample Rate Accounts
Average Capital Value (CV) Rates

	CV	2023/24	2024/25	Including Kerbside		Excluding Kerbside	
				Increase	Increase %	Increase	Increase %
Residential							
Average CV	656,000						
General Rates		1,673	1,893	220	13.2%	220	13.2%
Community Services		112	117	6	4.9%	6	4.9%
Kerbside Collection		106	302	195	184.2%		
Water		517	590	73	14.1%	73	14.1%
Drainage		683	780	97	14.1%	97	14.1%
Total		3,090	3,681	591	19.1%	395	12.8%
Residential							
Median CV	590,000						
General Rates		1,505	1,703	198	13.2%	198	13.2%
Community Services		112	117	6	4.9%	6	4.9%
Kerbside Collection		106	302	195	184.2%		
Water		517	590	73	14.1%	73	14.1%
Drainage		683	780	97	14.1%	97	14.1%
Total		2,922	3,491	569	19.5%	373	12.8%
Commercial							
Average CV	2,140,000						
General Rates		13,478	15,254	1,776	13.2%		
Community Services		112	117	6	4.9%		
Tourism Economic		185	185	0	0.0%		
Fire Protection		1,430	1,644	214	15.0%		
Drainage		683	780	97	14.1%		
Drainage CV		5,010	5,776	766	15.3%		
Total		20,896	23,755	2,858	13.7%		
Farmland							
Average CV	1,665,000						
General Rates		3,397	3,844	448	13.2%		
Community Services		112	117	6	4.9%		
Total		3,508	3,961	453	12.9%		
Lifestyle							
Average CV	1,159,000						
General Rates		2,807	3,177	370	13.2%	370	13.2%
Community Services		112	117	6	4.9%	6	4.9%
Kerbside Collection		106	302	195	184.2%		
Total		3,025	3,595	571	18.9%	375	12.4%

Other Sample Properties Rates

	CV	2023/24	2024/25	Including Kerbside		Excluding Kerbside	
				Increase	Increase %	Increase	Increase %
Residential							
Example	345,000	2,297	2,784	486	21.2%	291	12.7%
Example	430,000	2,514	3,029	515	20.5%	319	12.7%
Lower Quartile	490,000	2,667	3,202	535	20.1%	340	12.7%
Mode	530,000	2,769	3,318	548	19.8%	353	12.8%
Median Value	590,000	2,922	3,491	569	19.5%	373	12.8%
Average	656,000	3,090	3,681	591	19.1%	395	12.8%
Example	671,000	3,129	3,725	596	19.0%	400	12.8%
Upper Quartile	750,000	3,330	3,953	622	18.7%	427	12.8%
Example	910,000	3,738	4,414	676	18.1%	481	12.9%
Example	1,050,000	4,095	4,818	723	17.7%	528	12.9%
Commercial							
Lower Quartile	360,000	4,176	4,742	566	13.5%		
Median Value	683,000	7,210	8,192	982	13.6%		
Upper Quartile	1,600,000	15,824	17,987	2,163	13.7%		
Average	2,140,000	20,897	23,755	2,858	13.7%		
Example	3,150,000	30,384	34,543	4,159	13.7%		
Example	6,740,000	64,107	72,890	8,783	13.7%		
Example	7,890,000	74,910	85,174	10,264	13.7%		
Example	10,300,000	97,548	110,916	13,368	13.7%		
Farmland (General and Community Services Rates only)							
Median Value	803,000	1,750	1,971	222	12.7%		
Average	1,665,000	3,508	3,961	453	12.9%		
Upper Quartile	1,930,000	4,049	4,573	525	13.0%		
Example	2,310,000	4,824	5,451	627	13.0%		
Example	3,720,000	7,700	8,706	1,006	13.1%		
Example	4,010,000	8,292	9,376	1,084	13.1%		
Example	6,690,000	13,759	15,564	1,805	13.1%		
Example	10,020,000	20,552	23,253	2,701	13.1%		
Example	13,100,000	26,836	30,365	3,529	13.2%		
Lifestyle (General, Community Services & Kerbside Collection Rates only)							
Example	625,000	1,731	2,132	400	23.1%	205	11.8%
Example	790,000	2,131	2,584	453	21.3%	258	12.1%
Lower Quartile	840,000	2,252	2,721	469	20.8%	273	12.1%
Median Value	1,150,000	3,003	3,571	568	18.9%	372	12.4%
Average Value	1,159,000	3,025	3,595	571	18.9%	375	12.4%
Mode Value	1,200,000	3,124	3,708	584	18.7%	388	12.4%
Upper Quartile	1,420,000	3,657	4,311	654	17.9%	458	12.5%
Example	2,600,000	6,515	7,545	1,030	15.8%	835	12.8%