

Rating system, rates and Funding Impact Statements

1. Introduction

Rating incidence is governed by the Council's Revenue and Financing Policy and its Rating Policies. This section outlines details of the present rating system used by the Council. It also incorporates the Funding Impact Statements in the form prescribed by the Local Government (Financial Reporting and Prudence) Regulations 2014.

At various points within this section a level of rate or charge is outlined. These are indicative figures provided to give ratepayers an estimate of what their level of rates is likely to be in the forthcoming year. They are not necessarily the actual figures as these will not be known until the Council's rating information database is finalised. Rates figures in this section are GST-inclusive unless otherwise specified.

2. Rating objectives

These are the Council's rating objectives:

- to encourage growth and confidence in the city by operating a stable, easily understood method of setting rates
- to set rates in a manner that is fair and equitable as between various ratepayers and classes of ratepayer, and consistent with Council's planning objectives
- to ensure that all citizens contribute to the cost of providing city services by charging on a user-pays basis where practicable
- to foster the sense of a single community by operating a common system throughout the city.

3. Components of the present rating system - a summary

The Council's rating system, designed to meet these objectives, is utilised to fund the net cost of operations and programmes outlined in the 10 Year Plan and Annual Plan. It comprises the following components:

A common system applies throughout the city.

Targeted rates, in the form of fixed amounts (as proxy user charges) are made to cover the costs of services that are identifiable by property (water supply, wastewater disposal, and rubbish and recycling). In addition, significant non-residential and some rural users of water are metered and some non-residential wastewater users are charged on the basis of the number of pans.

A Uniform Annual General Charge (UAGC) is applied as a fixed amount to every rating unit within the city. It is used as a mechanism to ensure each rating unit contributes a minimum amount of the general rate and also to moderate rates on high land-value properties.

A General Rate, based on the land value, is applied to each rating unit, with different rates (differentials) applying to each property category.

The categories in the Council's differential rating scheme reflect differing property use and can be broadly grouped as follows:

- Single-unit residential
- Multi-unit residential
- Non-residential
- Rural and semi-serviced
- Miscellaneous.

Differential surcharges (that is, a higher rate in the dollar) are applied to multi-unit residential and non-residential properties, while lower rates are applied to single unit residential and rural/semi-serviced properties. No surcharge is applied to miscellaneous properties.

4. Examples of proposed rates for 2021/22

Examples of proposed rates for 2021/22 are shown in the following table:

	Land value	Rates 2020/21	Rates 2021/22
Single unit residential			
Average	243,000	2,639	2,820
Median	230,000	2,561	2,739
Quartile 1	185,000	2,292	2,458
Quartile 3	280,000	2,860	3,051
Two unit residential			
Average	273,000	4,265	4,595
Median	255,000	4,107	4,431
Quartile 1	220,000	3,801	4,111
Quartile 3	300,000	4,502	4,841
Non-residential			
Average	708,000	15,107	15,751
Median	400,000	8,885	9,275
Quartile 1	230,000	5,451	5,701
Quartile 3	790,000	16,764	17,475
Rural & semi-serviced (5ha or more)			
Average	829,000	1,828	1,882
Median	475,000	1,288	1,320
Quartile 1	320,000	1,052	1,074
Quartile 3	840,000	1,845	1,899
Rural & semi-serviced (between 0.2 and 5ha)			
Average	316,000	1,648	1,694
Median	315,000	1,644	1,691
Quartile 1	250,000	1,422	1,459
Quartile 3	365,000	1,816	1,869
Miscellaneous			
Average	594,000	5,092	5,279
Median	315,000	2,965	3,065
Quartile 1	145,000	1,669	1,716
Quartile 3	630,000	5,366	5,564

If all of the properties in the category of property were listed from lowest to highest land value, then the 'median' is the value at the half way point in the list, quartile 1 is the value at the first quarter point in the list, and quartile 3 is the value at the three-quarter point in the list.

For example, if there are 1,000 properties and they are sorted from the lowest to the highest land value then quartile 1 in the 250th property from the lowest.

The three-yearly revaluation of the city for rating purposes was undertaken in 2018 and those valuations are the base for general rates set in 2021/22.

The examples should be read with regard for the following assumptions:

- the Council's total rates revenue will increase by 6.9%
- the Uniform Annual General Charge will remain at \$500 per rating unit
- targeted rates in the form of fixed amounts will be applied for water supply (\$307); wastewater disposal (\$299); kerbside recycling (\$130); rubbish and public recycling (\$66) (\$255, \$241, \$126 and \$64 respectively in 2020/21)
- a targeted rate for wastewater disposal will be set on non-residential properties on the basis of the number of pans, in excess of three, on the rating unit. The charge per pan will be \$299 compared with \$241 per pan in 2020/21
- the examples shown for non-residential, miscellaneous and rural/semi-serviced properties do not include the charges (either fixed or metered) for water, wastewater or kerbside recycling because these vary from property to property but they do include the rubbish and public recycling rate. They do not include the proposed targeted rates to

fund the Palmy BID as these will be applied to selected properties in the defined central city Palmy BID area.

5. Components of the rating system – more detail

5.1 General rate

The Council proposes to set a general rate based on the land value of each rating unit in the city.

The general rate will be set on a differential basis based on land use (see description below), with the differential factors as shown in the following table:

Differential group		Differential factor (expressed as % of Group Code MS)	Rate (cents in \$ of LV)
Code	Brief description		
		Balance (approx. 79%)	0.6246
R1	Single-unit residential	115	0.9124
R2	Two-unit residential	125	0.9918
R3	Three-unit residential	135	1.0711
R4	Four-unit residential	145	1.1504
R5	Five-unit residential	155	1.2298
R6	Six-unit residential	165	1.3091
R7	Seven-unit residential	175	1.3885
R8	Eight- or more unit residential	100	0.7934
MS	Miscellaneous	265	2.1025
CI	Non-residential (commercial/industrial)	20	0.1587
FL	Rural/semi-serviced (5 ha or more)	60	0.4760
FS	Rural/Semi-serviced		

Differential group		Differential factor (expressed as % of Group Code MS)	Rate (cents in \$ of LV)
	(0.2 ha or less)		
FM	Rural/Semi-serviced (between 0.2 & 5 ha)	45	0.3570

5.2 Uniform annual general charge

The Council proposes to set a uniform annual general charge of \$500 (\$500 for 2020/21) on each rating unit.

5.3 Targeted rates

For the purposes of the targeted rates proposed below the term ‘residential’ is defined as “having a predominant or exclusive residential use and on which one or more residential units is erected.”

For the purposes of the targeted rates proposed below, a ‘separately used or inhabited part (SUIP) of a rating unit’ is defined as:

“Any part of the rating unit that is, or is able to be, separately used or inhabited by the ratepayer, or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other form of occupation) on an occasional or long-term basis by someone other than the owner.

For the purposes of the definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as ‘used’.

For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one SUIP.

For a residential property a SUIP will have a separate entrance, kitchen facilities (including sink or cooking facilities), living facilities and toilet/bathroom facilities.

By way of example the following would be considered to have separately used or inhabited parts of a rating unit:

- A single dwelling with flat attached
- Two or more houses, flats or apartments on one certificate of title.”

The Council does not have a lump sum contribution policy and lump sum contributions will not be invited for any targeted rate.

5.3.1 Water supply

The Council proposes to set targeted rates for water supply. For residential rating units it shall be on the basis of a fixed amount per separately used or inhabited part, and for all other properties a fixed amount per rating unit. The charge will be set on a differential basis based on the availability of the service (either ‘connected’ or ‘serviceable’). Connected means the rating unit is connected to a Council-operated waterworks while serviceable means the rating unit is not connected to a Council-operated waterworks but is within 100m of such waterworks and Council would allow a connection. The serviceable rate will be 50% of the connected rate.

Rating units that are not connected to the scheme and are not serviceable will not be liable for this rate. The estimated rates for the 2021/22 year are:

Connected: \$307

Serviceable: \$153.50

There are situations where the Council will require water to be supplied on a metered basis. Where this occurs, the Council proposes instead of the above to set metered water targeted rates that comprise a fixed amount (estimated at \$190 per metered connection for connections of 25mm or less and \$415 for connections greater than 25mm) and a variable amount (estimated at \$1.3915 per cubic metre) based on the volume of water supplied.

5.3.2 Wastewater disposal

The Council proposes to set a targeted rate for wastewater disposal. For residential rating units, it shall be set on the basis of a fixed charge per separately used or inhabited part, and for all other properties a fixed charge per rating unit. The charge will be set on a differential basis based on the availability of the service (either ‘connected’ or ‘serviceable’). Connected means the rating unit is connected to a public wastewater drain, while serviceable means the rating unit is not connected to a public wastewater drain but is within 30m of such a drain, and Council would allow a connection. The serviceable rate will be 50% of the connected rate.

Rating units that are not connected to the scheme, and which are not serviceable will not be liable for this rate.

The estimated rates for the 2021/22 year are:

Connected: \$299
Serviceable: \$149.50

In addition, for the 2021/22 year the Council proposes to set a targeted rate for connected non-residential rating units of \$299 per pan (water closet or urinal) for each pan in excess of three.

5.3.3 Rubbish and recycling

5.3.3.1 Kerbside recycling

The Council proposes to set a targeted rate for kerbside recycling on the basis of:

- a fixed amount per separately used or inhabited part of a rating unit for residential properties receiving the Council's kerbside collection service
- a fixed amount per rating unit for non-residential and rural/semi-serviced properties receiving the Council's kerbside collection service

Where ratepayers elect, and the Council agrees, additional levels of service may be provided. These additional services could be providing more recycling bins or more frequent service. Each additional level of service will be charged at a rate of \$130. This may include charges to non-rateable rating units where the service is provided. Rating units for which the Council is not prepared to provide the service will not be liable for these rates.

The estimated rates for the 2021/22 year are:

Kerbside recycling	\$130
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5.3.3.2 Rubbish and public recycling

The Council proposes to set a targeted rate for rubbish and public recycling on the basis of a fixed amount per separately used or inhabited part of each residential rating unit and a fixed amount per rating unit for all other rating units. Rating units that are vacant land will not be liable for these rates.

The estimated rates for the 2021/22 year are:

Rubbish and public recycling	\$66	.
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5.3.4 Warm Palmerston North

The Council proposes to set a targeted rate on properties that have benefited from the installation of insulation through the Warm Palmy Home Insulation Scheme. The rate is calculated as a percentage of the service amount (the cost of the installation) until the service amount and costs of servicing the service amount are recovered. For 2021/22 the rate is proposed to be 16%.

5.3.5 Palmy BID

The Council proposes to set targeted rates on those properties within the central city Palmy BID area as shown on the map xxx that are categorised as non-residential for the Council's general rate. The rate will fund a grant to the Palmy BID group.

The targeted rates will comprise:

A fixed amount of \$340 per rating unit; and

A variable amount of 0.0152851 cents in the \$ of the capital value of the rating unit.

5.4 Differential matters and categories

5.4.1 Objectives of differentials for general rate

The Council believes that a uniform general rate based on land value would not produce a fair and equitable allocation of rates. For this reason, it operates a system of differentials based on land use. Descriptions of the land use categories are shown in 5.4.2.

The Council describes the relationship between the rates charged to each group in terms of a factor expressed as a percentage of the rate that would apply if there were no differential rating in place – that is, the group described as Miscellaneous (MS). Each year, the Council reviews the differential factors applied to each land use category. The factors proposed for 2021/22 are outlined in 5.1 and are unchanged from 2020/21.

The factors have been developed to address the following matters:

- rating units containing more than one residential unit will place an increasing demand on Council services as the number of units increase
- the land value for non-residential property is often driven by different influences from the land value for residential or rural land and therefore is not directly comparable as a rating base
- the Council's Revenue and Financing Policy identifies a number of activities where it believes non-residential users gain a greater benefit than other users and should bear a greater share of the cost
- for large rural rating units a pure land value system would produce rates charges that would be unsustainable
- rural and semi-serviced rating units generally have limited or, in some cases, no access to some Council activities funded through the general rate

5.4.2 Differentials based on land use

The Council proposes to differentiate the general rate primarily on the basis of land use. Properties with more than one use will be placed in a category that the Council considers reflects the primary use.

The Council will consider partitioning the property into parts and allocate each part to the most appropriate category in situations such as the following:

- where there are discreet parts of the property used for different purposes such as a retail shop and a residence
- for manager's residences associated with motel complexes
- where part of the property is used for not-for-profit or other community purposes and the remainder is used for other purposes
- where the property is not serviced and is used for commercial, industrial or business purposes but a significant part is used for farming or horticultural purposes
- where a property has a rural zoning but is serviced and has one or more residential units then the first 2ha will be classified as group code R1 and the balance as FM or FL depending on its size.
- where a property that is greater than 5ha (and residential use is a permitted activity under the city's District Plan) becomes serviced the first 5ha (or the area of the actual sub-divisional development if larger than this) will be categorised in group code R1 and the remainder will continue to be treated as not serviced for rating purposes
- where a property that is less than 5ha becomes serviced and features of the land or District Plan requirements impede subdivision the part that reflects the extent of the impediment will continue to be treated as not serviced for rating purposes

Note that, subject to the rights of objection to the rating information database set out in sections 29 and 39 of the Local Government (Rating) Act 2002, the Council is the sole determiner of the categories.

In the context of the general rate, 'serviced' means the property is either connected or serviceable for wastewater disposal. Connected means the rating unit is connected to a public wastewater drain, while serviceable means the rating unit is not connected to a public wastewater drain but is within 30m of such a drain, and Council would allow a connection.

The following differential categories will be used:

Single-unit residential (R1)

Every serviced rating unit not otherwise classified:

- having a predominant or exclusive residential use (excluding home occupations) and on which is erected one residential unit; or
- being vacant property where residential use is a permitted activity under the city's District Plan.

Multi-unit residential (R2 - R8)

Every serviced rating unit not otherwise classified on which is erected:

- two residential units (R2); or
- three residential units (R3); or
- four residential units (R4); or
- five residential units (R5); or
- six residential units (R6); or
- seven residential units (R7); or
- eight or more residential units (R8).

In determining what is a residential unit, the Council will apply the same criteria as defined for a SUIP, as shown in 5.3.

Miscellaneous (MS)

Every rating unit not otherwise classified of the following types:

- property used primarily for not-for-profit or other community purposes, excluding retail shops

- property owned by the Council that is used by it for parking that is available for public use
- property where the ratepayer conducts or permits to be conducted a business (a Home Occupation, as defined in the city's District Plan), which would otherwise qualify for inclusion in group code R1
- vacant serviced property where non-residential use is a permitted activity under the city's District Plan
- property that is not serviced and would otherwise qualify for inclusion in group code FL, FS or FM but is used for predominantly commercial, industrial or business purposes (excluding farming and horticulture).
- Property not specifically categorised in any of the other group codes.

Non-residential (CI)

Every serviced rating unit, not otherwise classified, used for commercial, industrial or business purposes including licensed hotel, serviced apartments or residential institution including a guesthouse, rooming house, boarding house, private hotel, motel, residential club or hostel.

Rural and semi-serviced (FL, FS and FM)

FL – Every rating unit not otherwise classified that is not serviced and has either

- an area of 5ha or more; or
- an area less than 5ha but on which there is no residential dwelling or non-residential improvements.

When the rating unit becomes serviced, as defined above (and provided it is zoned to permit subdivision), the property will be reclassified to the higher rated differential category in the immediately following year.

FS – Every rating unit not otherwise classified that is not serviced and has an area of 0.2ha or less and on which there is a residential dwelling.

FM – Every rating unit not otherwise classified that is not serviced and has an area greater than 0.2ha and less than 5ha and on which there is either residential dwellings or non-residential improvements.

6. Early payment of rates

Sections 55 and 56 of the Local Government (Rating) Act 2002 empowers councils to accept early payment of rates.

The Council will accept any payment of rates for either the current or future years in advance of the due date.

7. Rates payable by instalment and due dates

The Council provides for rates to be paid in four equal instalments. For the 2021/22 year the due dates (that is, final dates for payment without incurring penalty charges) will be:

- Instalment 1: 31 August 2021
- Instalment 2: 26 November 2021
- Instalment 3: 25 February 2022
- Instalment 4: 27 May 2022

Ratepayers may elect to pay on a more regular basis if they choose. They may also elect to pay the full year’s rates in one lump sum prior to the due date for instalment 2 without incurring penalty charges on instalment 1.

Rates may be paid using any one of a number of payment methods acceptable to the Council, including direct debit, cash or Eftpos at Council’s office, direct credit and other bank transfer methods. Payment by credit card can be made using the Internet or at Council’s office, subject to the payment of a fee to cover costs.

The due date for metered water targeted rates will be the 20th of the month following the invoice date as follows:

Monthly Invoicing	
Instalment	Due date
1	20 July 2021
2	20 August 2021
3	20 September 2021
4	20 October 2021
5	20 November 2021
6	20 December 2021
7	20 January 2022
8	20 February 2022
9	20 March 2022
10	20 April 2022
11	20 May 2022
12	20 June 2022

Two-monthly invoicing			
Linton, East & North Rounds		Ashhurst, South West, PNCC & Central Rounds	
Instalment	Due date	Instalment	Due date
1	20 July 2021	1	20 August 2021
2	20 September 2021	2	20 October 2021
3	20 November 2021	3	20 December 2021
4	20 January 2022	4	20 February 2021
5	20 March 2022	5	20 April 2021
6	20 May 2022	6	20 June 2021

8. Rates penalties

To provide an incentive for rates to be paid by the due date, penalties will be imposed when rates are not paid on time. A penalty of 10% will be added to any portion of an instalment remaining unpaid after the due date for payment, as outlined in clause 7 above.

A penalty charge of 10% will be added to any outstanding rates (including penalties) assessed in previous years and remaining outstanding at 2 July 2021 and again on 3 January 2022.

Penalty charges will not be applied to the metered water targeted rate.

9. Rating base information

The number of rating units projected for each year of the Plan as at the end of the preceding financial year is as follows:

Year ¹	No. of rating units	Year	No. of rating units
2021/22	33,850	2026/27	35,350
2022/23	34,150	2027/28	35,650
2023/24	34,450	2028/29	35,950
2024/25	34,750	2029/30	36,250
2025/26	35,050	2030/31	36,550

The following are projected as at 30 June 2021:

Total capital value of all rating units: \$20,070,000,000

Total land value of all rating units: \$10,170,000,000

¹ As at 30 June of the preceding year – for example, 2021/22 = as at 30 June 2021.

10. Rates summary

Basis of rates		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Rates											
General Rates	rate in \$ of LV (differentiated by use)	66,380	71,167	77,850	80,230	85,871	89,434	91,234	95,384	98,931	102,340
UAGC	fixed charge p rating unit	14,196	14,613	15,035	15,462	15,895	16,333	16,776	17,224	17,677	18,136
Targeted rates											
Water											
- connected	fixed charge p SUIP (residential) or p rating unit (non-residential)	8,093	10,010	11,086	11,643	11,226	11,666	12,040	12,683	12,569	12,687
- serviceable	fixed charge p SUIP (residential) or p rating unit (non-residential)	86	105	115	120	115	118	121	126	123	124
- metered	\$ p m3 plus fixed charge	2,750	2,800	2,850	2,900	2,950	3,000	3,050	3,100	3,150	3,200
Wastewater											
- connected	fixed charge p SUIP (residential) or p rating unit (non-residential)	8,280	9,578	10,516	15,188	23,886	28,088	31,539	32,177	32,631	33,560
- serviceable	fixed charge p SUIP (residential) or p rating unit (non-residential)	83	95	103	147	227	265	295	298	299	306
- pans	fixed charge p pan in excess of three	2,343	2,682	2,913	4,166	6,469	7,547	8,407	8,504	8,560	8,744
Rubbish & Recycling											
- kerbside recycling	fixed charge p SUIP	3,574	3,421	3,559	3,926	4,923	5,153	5,614	6,533	6,764	6,898
- rubbish & public recycling	fixed charge p SUIP	1,938	2,511	2,545	2,544	2,390	2,301	2,314	2,188	2,189	2,514
Palmy BID		250	250	250	250	250	250	250	250	250	250
		107,972	117,232	126,822	136,576	154,202	164,155	171,640	178,466	183,144	188,758

Table yet to be updated

11. Source and application of funds statements (Funding Impact Statements)

The Local Government (Financial Reporting and Prudence) Regulations 2014 prescribe the format for statements showing the sources and application of funds for the whole of Council and for each group of activities of the Council.

These statements are designed to show where operational and capital funding comes from, and how they are used.

This information is presented in two ways, firstly at the Whole of Council level, and in a slightly different form at the "Group of Activities" level. At the Group of Activities level, internal revenue and expenditure are shown as separate items, while at the Whole of Council level they are not displayed because the amounts balance each other out.

Capital Expenditure is grouped into three broad categories based on which one the programme most relates to. The three categories are:

- to meet additional demand
- to improve the level of service
- to replace existing assets.

The categories do not clearly represent the fact that some programmes will contribute to more than one purpose.

In addition to the statements mentioned, the Council is also providing Activity Financial Statements which show the revenue and expenses for the services provided, as well as how the rates are calculated (see section 1).

Please Note:

1. In the statements, the term Other Operating Funding is an abbreviation of "Local authority fuel tax, fines, infringement fees and other receipts".
2. The totals appear different between the two statements due to the different way the figures have been categorised. The Funding Impact Statements include rates revenue, whereas the Activity Financial Statements separate rates out to clearly show how they've been calculated. In addition, the Activity Financial Statements include depreciation in the expenses to show the full cost of the activity, but this is not included in the Funding Impact Statements.

Funding Impact Statements

To be separately circulated with other financial statements