

A Review of the Basis of Rating

Consultation Paper

This paper is presented to the community to provide information and invite feedback on required and possible changes to the Council's basis of rating.

**Consultation Period**

**Thursday 26th October to Thursday 23rd November 2023**

**Information Session at the Senior Citizens Club, 11 Tumby Tce, Tumby Bay**

* **Wednesday 8th November 2023 at 6pm**

**Drop-In or Call Sessions at Council Office**

* **Thursday 9 November 2023 – 2:30pm – 4:30pm**
* **Tuesday 14 November 2023 – 5pm – 7pm**

**Public Meeting at the Council Chambers, Cnr Mortlock Street and West Terrace**

* **Tuesday 21st November 2023 at 5.30pm**

**Submissions**

Written submissions to:

**Chief Executive Officer**

**District Council of Tumby Bay**

**PO Box 61, Tumby Bay, SA 5605**

**Cnr Mortlock Street and West Terrace**

**Email: dctumby@tumbybay.sa.gov.au**

Verbal and written submissions will be accepted at the Public Meetings.

**October 2023**

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# Introduction

Councils are responsible for delivering a broad range of services to their communities. Each community is unique and has different priorities. Councils receive income from several sources to pay for their services, with the largest revenue source being rates.

The District Council of Tumby Bay (**Council**) is required by legislation to change from rating against the site value of properties to rating against the capital value of properties. As part of this process, Council is required to undertake a rating review and consider the best way for Council to distribute the rate burden against the properties within its community.

Section 151 of the *Local Government Act 1999* (**Act**)states that Council must produce a public report that must address the following when changing their basis of rating:

* The reasons for the proposed change
* The relationship of the proposed change to the Council's overall rates structure and policies
* As far as practicable, the likely impact of the proposed change on ratepayers
* Issues concerning equity within the community.
* And any other issues that Council considers relevant.

# Reason for Proposed Changes

The Act has undergone significant reform, introduced over the past few years.

A significant change has been that Councils in South Australia can no longer use the Site Value of properties as the basis to calculate rates but must use the Capital, the Improved Value, of those properties.

Councils must change to Capital Value for the 2024/25 Financial Year's Rating at the latest. The District Council of Tumby Bay and other Councils in the Eyre Peninsula are currently going through the process of making this change to their rating systems.

# Proposed Changes to Rates

The main change is to change from Site to Capital Value as the basis for rating as required by legislation. This change will result in a distribution of the rating costs across ratepayers, with some ratepayers paying less than previously and others paying more.

Council's current rating system is based on a combination of Locality and Land Use, which has limited capacity to differentiate properties in a way that allows the Council to identify where rating changes impact different ratepayers. Council is considering moving to a rating system based on Land Use (except for the Silos) instead of where properties are.

In summary, the changes proposed in this paper are;

* Move from Site to Capital Value (note this is legally required)
* Move to a differential rating structure based on Land Use instead of Locality (except for Silos). These Land Uses would be:
  + Residential
  + Commercial (Shop, Office and Other)
  + Industrial (Light and Other)
  + Vacant Land
  + Primary Production
  + Other
* That all Land Use categories would have the same Rate in the Dollar
* That the Employment Bulk Handling Zone rating category would be retained. This zone includes the Silo properties.
* That the Employment Bulk Handling Zone properties as a whole would provide the same total rates as currently, and the Rate in the Dollar is set accordingly.
* That the Fixed Charge would be retained.

The proposed changes are detailed in Section 17 of this paper.

# Support for Ratepayers

The change to Capital Value will result in some ratepayers paying lower rates than previously and others paying more.

Whilst the main change of moving to Capital Value is outside of Council's control, Council is aware that ratepayers affected by increased rates may find this difficult to manage.

Council has a Hardship Policy to assist ratepayers who are finding it difficult to pay their rates due to the changes that are occurring from changing from Site to Capital Value.

This Policy provides the following support;

* Payment Plans for ratepayers who apply for assistance. Where payment arrangements are in place, ratepayers will not be charged fines for late quarter payments, provided they adhere to the payment plan. Interest would still apply.

In addition to the Hardship Policy, Seniors can postpone a portion of rates. The postponed portion would not require payment until a property is sold. Interest would still apply.

# Consultation

It is important for Council to receive feedback from the community when making decisions that affect ratepayers. Council is required to consult when reviewing rating methods, and your comments are very useful to help Council understand the community and make decisions that soundly reflect your current and future needs.

Consultation Period

The consultation period will be for the following period:

**Thursday 26th October to Thursday 23rd November 2023.**

## Information Session

Council will hold an information session where a presentation will be made to explain the changes, and ratepayers attending will be able to speak to staff to see the possible changes for their properties.

Staff will be available to answer enquiries about the impact on their properties.

**The Presentation and Community Information Session will be held at the Senior Citizens Club, 11 Tumby Tce, Tumby Bay.**

Staff will be available at the Council office for a drop-in session for those who cannot attend the information session.

**Drop-In Sessions -**

* **Thursday 9 November 2023 – 2:30pm – 4:30pm**
* **Tuesday 14 November 2023 – 5pm – 7pm**

## Submissions

Community members are invited to write submissions expressing their views on the future structure of the Council's basis of rating and the information contained within this consultation paper. Submissions will be accepted until **5 pm on Thursday 23rd November.**

**Written Submissions to:**

**Chief Executive Officer**

**District Council of Tumby Bay**

**PO Box 61, Tumby Bay, SA 5605**

**Cnr Mortlock Street and West Terrace**

**Email: dctumby@tumbybay.sa.gov.au**

## Public Meeting

In addition to written submissions, Council invites members of the community to attend a public meeting at the Council Chambers at the corner of Mortlock Street and West Terrace.

**Thursday 21st November 2023 at 5.30 pm**

Members of the public can make submissions in person at this meeting. A registration system will be established to assist public in registering to speak at the meeting.

Further information regarding the Review of Council's Basis of Rating can be obtained by contacting Council.

# The Purpose of this Consultation Paper

The purpose of this consultation paper is to provide our community with information concerning the following, which Council has considered as background to the proposed changes:

* Why Councils collect rates.
* Council's current rating methodology
* The legislative framework for setting Council rates.
* Rating options available
* The right option for Tumby Bay?
* Consultation Requirements

# Why Councils Collect Rates

Councils are responsible for delivering a broad range of services to the community. The range of services continues to grow.

To support the provision of services and to improve the quality of life for the community, whether residential or business, Councils provide significant levels of infrastructure in the form of roads, drainage, buildings, parks, and recreation facilities. This infrastructure needs to be maintained and replaced. Councils also provide a vast range of other services to their communities.

Each Council provides unique services for their communities as different communities have different priorities. Councils are therefore faced with the challenges of:

* Establishing a level of infrastructure and services for its community
* Equitably distributing revenue raising that provides funding for infrastructure and services.

As each Council faces different circumstances and provides diverse services to its community, its revenue requirements likely differ from those of its neighbours. The capacity of each Council to raise revenue and how the ratepayers will share in providing the revenue will also be different in each Council.

## Nature of Council Rates

Taxation is the primary source of revenue for Governments. Councils are responsible for raising their revenue through property taxation (Rates) and user charges as prescribed by legislation. Councils also receive Government grant funding.

Rates are a tax against the value of a property. The principle is that the more property, or the higher the property's value, the more you should pay. Many ratepayers will question the value they individually receive from their rates; however, rates are raised as a form of taxation for services for the whole community.

One problem with a property tax is that someone who owns a property with a high value may not have the income to pay a higher level of taxation. To address this, Councils have hardship policies that can be used to assist ratepayers who find it difficult to pay their rates.

## Principles of Taxation

When setting taxes, Governments and Councils need to be mindful of the principles of taxation. The principles are:

* Equity – taxpayers with the same income pay the same tax (horizontal equity), and wealthier taxpayers pay more tax (vertical equity). With rating, this means those with higher-valued properties pay more rates.
* Benefit – taxpayers should receive some benefit from paying tax, but not necessarily to the extent of the tax paid. The community should receive the benefit from the tax.
* Ability-to-pay – in levying taxes, the ability of the taxpayer to pay the tax must be considered;
* Efficiency – if a tax is designed to change consumers' behaviour and the behaviour changes, the tax is efficient (e.g., tobacco taxes). If a tax is intended to be neutral in its effect on taxpayers and it changes taxpayers' behaviour, the tax is inefficient and
* Simplicity – the tax must be understandable, hard to avoid and easy to collect.

To some extent, these principles conflict with each other. Governments and Councils must balance the application of the principles, the policy objectives of taxation, the need to raise revenue and the effects of the tax on the community.

# Legislative Framework for Setting Council Rates

The Actsets out the framework of Rating for Councils. The Act can be accessed at https://www.legislation.sa.gov.au.

The legislation outlines the following topics that are relevant for the Council when considering changing its basis of rating.

**Chapter 10 – Rates and Charges**

* **Part 1 – Rates and charges on land**
  + Division 1 - Preliminary
  + Division 2 – Basis of Rating
  + Division 3 – Specific characteristics of rates and charges
  + Division 4 – Differential rating and special adjustments
  + Division 5 – Rebates of rates
  + Division 6 – Valuation of land for the purpose of rating

Section 151(2) of the Act sets out that the value of the land for the purpose of rating is its capital value.

Section 151(3) allows Councils to declare rates on site value, but the reference to site value will be removed from the Act.

# Rating Options Available

There are several alternative rating options available under the Act. The options that can be considered are:

* A General Rate
* A Differential Rate
* Fixed Charge
* Minimum Rate
* Separate Rates

All rating options provide different ways to distribute the cost of running the Council among ratepayers. Councils need to consider the profile and issues of their communities and determine the method that distributes the rates tax burden in the most appropriate manner for their community.

The following areas of this section explain how rates are calculated and how different rating options work.

## How Rates are Calculated

The example below shows how rates are calculated when a Council uses a Fixed Charge.

Example:

* A council needs to raise rates of $5,000,000
* The value of all the rateable properties in the Council is $2,000,000,000
* Council Charges a Fixed Charge of $775
* The number of properties that pay a Fixed Charge 1,900

Rates Raised from the Fixed Charge = 1,900 x 775 $1,472,500

Council still needs to raise the remaining rates.

i.e. $5,000,000 rates needed less what has already been raised

from the Fixed Charge. $5,000,000 - $1,472,500 = $3,527,500

The rates still needed are divided by the value of the properties.

$3,527,500 divided by $2,000,000,000 = .001764

The Rate in the Dollar is .001764

The Rate in the Dollar (RID) is then adjusted to provide for rebates and any discounts to any groups of ratepayers. For the example below, the RID has not been adjusted.

A property with a Value of $300,000 would have the following rates calculation:

Fixed Charge $775.00

Property Valuation of $300,000 x RID of .001764 $529.20

Total Rates $1,304.20

If the value of all or some of the properties increases and Council still needs to raise the same amount of rates, the RID will decrease. Council does not receive additional rates when values go up; however, valuations are not uniform across all types of properties, and this may result in some properties paying more rates and some paying less than previously.

Moving from Site to Capital results in a higher valuation used for this calculation than when using Site Value, resulting in a lower Rate in the Dollar.

## A General Rate

All properties are charged the same 'rate in the dollar', regardless of Land Use or Locality. This is very simple to administer.

## A Differential Rate

This means there are different 'rates in the dollar' set for different categories of properties. A Council can use either Land Use, Locality, or a combination. Differentiating properties based on Locality and Land Use are described below.

A differential rate allows a Council to structure their rating strategy more closely with its community's needs and profile and to use rating as a tool to assist in achieving Council's strategic goals.

### Locality

Rating by Locality is rating according to where a property is located. The development zone determines the Locality the property is in. For example, some Councils set a different RID for different townships or whether a property is inside or outside a township(s).

### Land Use

This is where the RID is set depending on what the property is used for. The Land Use types in accordance with the Local Government Regulations and as determined by the Valuer General are:

* Residential
* Commercial (Shop)
* Commercial (Office)
* Commercial (Other)
* Industrial (Light)
* Industrial (Other)
* Primary Production
* Vacant Land
* Other
* Marina Berth

Differential rates based on Land Use can make it easier for a Council to understand what factors are impacting different types of ratepayers and how different rating strategies are affecting them.

Differentials can also be used based on Locality and Land Use combinations, and Councils that use this combination can have quite complex rating structures.

Differential rates allow a Council to set policy direction regarding their rating, such as:

* A Lower 'rate in the dollar' to assist or encourage a specific type of Land Use.
* A Higher 'rate in the dollar' to deter a specific type of Land Use or as an acknowledgement that that Land Use group needs to pay a higher contribution to the rates burden for the community.

## Fixed Charge

Under this system, a fixed amount is first applied evenly against all ratepayers. The remaining amount of rate revenue required is then divided by the total valuations of all the properties to result in the RID. Properties are charged the Fixed Charge + the rate calculation.

The Act states that a Council must not seek to set a Fixed Charge at levels that will raise more than 50% of all general rate revenue.

The effect of a Fixed Charge is a lower rate in the dollar, so higher-valued properties pay less than they would if there were no Fixed Charge, and lower-valued properties pay more.

Developers with several adjoining blocks will only pay one Fixed Charge, and all the remaining properties will be charged at the lower Rate in the dollar.

Contiguous Land provisions within the Act provide that only one fixed Rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property).

Single Farm Enterprises are only subject to one Fixed Charge (where applicable). In accordance with legislation, the Fixed Charge does not apply to Marina Berths.

## Minimum Rate

A minimum rate is only applied where the calculated rates (valuation x   
RID) is lower than a point that Council has set as a minimum to pay. This ensures that all ratepayers pay at least a certain amount.

Unlike a Fixed Charge, the higher-valued properties do not gain an advantage. Care must be taken that the Minimum is not set so high as to offend the 'ability to pay' principle. The legislation also specifies that the total of properties on the minimum Rate does not exceed 35%.

Contiguous Land provisions within the Act provide that only one Minimum Rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property). Developers with adjoining blocks will have only one Minimum applied.

Single Farm Enterprises are also only subject to one minimum Rate (where applicable). In accordance with legislation, the Minimum Rate does not apply to Marina Berths.

## Separate Rates

A Council can set a Separate Rate for the whole or part of an area for the purpose of planning, carrying out, making available, supporting, maintaining, or improving an activity that is of particular benefit to the occupiers of the land within that area.

# Service Rates & Charges

A service charge is raised where a service is provided. Councils often raise service charges for the following:

* Treatment or provision of water, i.e., Community Wastewater Management System (CWMS)
* Collection of domestic waste, i.e., Mobile Garbage Bin Collection
* Provision of Water

The legislation provides that Service Rates and charges must cover the costs of the services provided, including the cost of replacement infrastructure, such as replacing pipes and pumps within a Community Wastewater Management System.

Service Rates and Charges are not being considered as part of this Rating Review.

# Non-Rateable Properties

Section 147 of Act sets out the land which is exempt from rates as being:

* Crown Land
* Land held by the Crown or an instrumentality of the Crown for a public purpose.
* Land occupied by a university.
* Land exempt from rates and taxes under the Recreation Grounds Rates and Taxes Exemption Act 1981
* Land occupied by the Council except where under a lease or licence.
* Land occupied by a subsidiary.
* Land occupied or held by an emergency service organisation.
* Land exempt from Council rates by another Act

Non-rateable properties will still incur Service Rates and Charges.

# Rate Rebates

The Act requires Councils to rebate the rates payable for certain Land Uses ('Mandatory' Rate Rebates):

* Section 160 – Health Services
* Section 161 – Community Services
* Section 162 - Religious Purposes
* Section 163 – Public Cemeteries
* Section 164 – Royal Zoological Society of SA
* Section 165 – Educational Purposes

Councils also have a general power to grant discretionary rebates and remissions in accordance with Sections 166 & 182 of the Local Government Act 1999. The exercise of this power allows for the following:

* Local discretion;
* The pursuit of local policy objectives;
* Assistance to community organisations;
* Assistance to local businesses and
* Assistance in the case of hardship.

Councils can provide Rate Rebates for many reasons, including to assist ratepayers:

* To support certain activities
* Where there are significant increases in valuations for only some properties, resulting in substantial increases in rates
* Where there is a change in the basis of rating, some ratepayers may face significant rate increases.

The Council must be mindful that when providing rebates, the same level of rates is still required for Council's budget. If some ratepayers are provided rebates, all the other ratepayers will need to pay more.

## Postponement of Rates

### Hardship

Councils can wholly or partially postpone rates based on hardship in accordance with Section 182 of the Act.

### Businesses

Councils can grant postponements of rates to assist or support a business in its area.

### Seniors

Ratepayers who hold a Seniors Card can apply to Council to postpone payment of the portion of rates on their principal place of residence that exceeds $500. A Council may reject an application for a postponement if the amount postponed exceeds 50% of the capital value of the land. Postponed rates remain a charge on the land and are not required to be repaid until the property is sold or disposed of.

Interest accrues on the amount affected by the postponement in accordance with the prescribed interest rate.

## Unusual Events

Councils may assist ratepayers affected by unusual events by postponing payments, not charging fines and interest, or offering rebates. Unusual events can include;

* Fires
* Floods
* Drought
* Covid-19

# District Council of Tumby Bay's Current Rating System

## Land Valuation

The District Council of Tumby Bay uses the **Site Value** provided annually by the Valuer-General to rate property within its area. Legislation changes now require that Council move from Site Value to Capital Value.

The Capital Value includes the land's value and any improvements to the land (such as housing). This method results in higher-valued properties (such as land with a larger, more expensive house) being rated higher than lower-valued properties (such as land with a small house).

The Valuer-General analyses the sales of all property types to determine market movements, if any. This analysis of sales happens continuously throughout the year. The Valuer-General advises that different market movements can occur amongst varying property types and localities.

Certain properties may be eligible for a notional (concessional) value under the *Valuation of Land Act 1971*. This can relate to certain primary production land or where there is a state heritage recognition. A notional value is generally less than the capital value and will reduce rates.

## Differential Rates Based on Locality and Land Use

The District Council of Tumby Bay calculates its rates using different rates depending on the differentiating factors of Locality and Land Use. The categories are set out in the following table;

|  |  |
| --- | --- |
| The Rate in Dollar (RID) Declared for 2023/24 | Rating Category |
| .0055170 | Land within all Townships excluding land with a Land Use of Commercial-Shop, Commercial-Office, Commercial-Other, Industry-Light, Industry-Other |
| .0044666 | Land with a Land Use of Commercial-Shop, Commercial-Office, Commercial-Other, Industry-Light and Industry-Other |
| .0757195 | Land within the Employment (Bulk Handling) Zone |
| .0015966 | All other land not included above. |

## Fixed Charge

The District Council of Tumby declares a Fixed Charge ($774 for 2023/24). Rates are calculated by levying the Fixed Charge against each property and then multiplying the property value by the rate in the dollar. The two calculations are added together.

# District Council of Tumby Bay Profile

## Australian Bureau of Statistics

Understanding the community profile is essential before making decisions affecting the community. The Australian Bureau of Statistics has considerable data that can be used. The data available is from the 2020 Census and only reflects the 'permanent' residents of the district. The table below shows some of the data for the Council area.

Note that percentages in the following tables do not always add up to 100% as not all data is included, and some census respondents did not respond in all categories.

**People**

|  |  |
| --- | --- |
| ABS data published in 2021 and 2022 | Tumby Bay |
| Estimated Resident Population | 2,889 |
| Percentage of Population of Working Age (15 to 64 years) | 48.6% |
| People 65 and older | 33.1% |
| Pensioners – Age Pension | 510 |
| People on Job Seeker | 91 |
| People on other Government pensions and allowances | 284 |
| Family Households | 764 |
| * Couple families without children | 448 |
| * Couple families with non-dependent children | 30 |
| * Couple families with children under 15 or dependent students | 219 |
| * One-parent families with children under 15 or dependent students | 46 |
| * One-parent families with non-dependent children | 25 |
| Access to the Internet at home | 71.9% |

**Income**

|  |  |
| --- | --- |
| ABS data published in 2021 | Tumby Bay |
| Personal Income |  |
| * Earning $1-$499 per Week ($52 to $25,948 per year) | 26.4% |
| * Earning $500-$999 per Week ($26,000 to $51,948 per year) | 30.5% |
| * Earning $1000-$1999 per Week ($52,000 to $103,948 per year) | 26.1% |
| * Earning $2000-$2999 per Week ($104,000 to $144,948 per year) | 5.7% |
| * Earning $3000 or more per Week ($156,000 or more per year) | 1.8% |
| * Earning nil income | 1.7% |
| Median Household Income (Week)  (year) | $749  $38,948 |

**Expenses**

|  |  |
| --- | --- |
| ABS data published in 2021 | Tumby Bay |
| Median Household Mortgage Repayments(month)  (year)  *Note that interest rates are higher in 2023* | $1,138  $13,656 |
| Median Weekly Household Rental Payments  (year)  *Note that Rental Increases have occurred across Australia in 2023* | $210  $10,920 |
| Private dwellings |  |
| * Owned outright | 51.4% |
| * Owned with a mortgage | 22.1% |
| * Rented | 19.1% |
| Mortgage and Rent affordability |  |
| * Households where mortgage repayments are less than or equal to 30% of income | 71.3% |
| * Households where mortgage payments are more than 30% of income | 13.4% |
| * Households where rent payments are less than or equal to 30% of income | 55.8% |
| * Households where rent payments are more than 30% of income | 32.7% |

**Business**

|  |  |
| --- | --- |
| ABS data published in 2021 | Tumby Bay |
| Number of Businesses | 351 |
| Types of Businesses (Most Common) |  |
| * Agriculture, forestry, and fishing | 178 |
| * Rental, hiring and real estate services | 41 |
| * Construction | 32 |
| * Transport, postal and warehousing | 13 |
| * Accommodation and Food Services | 12 |
| Turnover of Businesses |  |
| * $10m or more | 6 |
| * $5m to less than $10m | 3 |
| * $2m to less than $5m | 25 |
| * $200k to less than $2m | 142 |
| * $50k to less than $200k | 110 |
| * Less than $50k | 67 |
| Main Industries of Employment |  |
| * Agriculture, forestry, and fishing | 28.8% |
| * Health Care and Social Assistance | 11.9% |
| * Education and Training | 9.6% |
| * Construction | 8.5% |

### Socio-economic Index

The Australian Bureau of Statistics produces Socio-economic Indices from census data. An area could be considered disadvantaged if there were many households with low incomes, many people with no qualifications or many people in low-skill occupations.

The latest Socio-economic Indices are from the 2016 census data published in 2018.

The following map shows the Index of Relative Socio-Economic Disadvantage (IRSD) for South Australia. Tumby Bay has an index of 994. A higher score means a lower level of disadvantage.

40 Councils in SA have a lower score and a higher disadvantage, and 26 have a higher score and a lower disadvantage. Tumby Bay's score is higher than the average for Councils in the Eyre Peninsula, which is 979.

The Relative Socio-Economic Disadvantage Scores for the Eyre Peninsula are:

Lower Eyre Peninsula 1,033

Kimba 1,020

Wudinna 1,009

Streaky Bay 1,000

Tumby Bay 994

Cleve 989

Franklin Harbour 959

Elliston 959

Ceduna 943

Whyalla 883

Map

Description automatically generated

# Issues and Impact of Current Rating System on the Community

Tumby Bay's rating is based on Site Value. Taxation is based on higher values resulting in higher rates; however, Site Value doesn't consider a property's entire value. This means that two properties next to each other that are the same land size pay the same rates when using Site Value, even if one property has a large, expensive house and the other a small, moderate house. Capital Value means that the larger, more expensive house is rated higher than the smaller house.

Council also uses Locality to create a different rating level for different types of properties. This system makes it difficult for Council to use rating as a tool for assisting in achieving the Council's strategies and goals and in assisting different types of ratepayers.

# Rating Structure – Potential Changes and the Impact

Council has held workshops with Elected Members to explore the issues around the current rating structure, the legislation requirements of moving to Capital Value, and to consider potential improvements in the existing structure. The outcomes of the workshops were to consider;

* Introducing a system based on Land Use
* Retaining the Locality category for Silos.

## Land Use System

As described previously, the 'Rate in the Dollar' is set depending on what the property is used for. The Valuer General determines the Land Use in accordance with the prescribed Local Government Land Use Codes as contained within the Local Government Regulations. The Land Use categories that Council is considering are;

* Residential
* Commercial (Shop, Office, Other)
* Industrial (Light, Other)
* Primary Production
* Vacant Land
* Other
* Marina Berths

Rating by Land Use divides the district's properties into more defined categories. It provides more clarity about challenges for different types of properties and allows for rating strategies such as changing the differentials or providing additional rebates to assist groups of ratepayers or achieve strategic objectives.

An example is that valuations often increase for one type of ratepayer differently from others, and this is more easily demonstrated when using Land Use to differentiate the properties. Council can then determine if support is needed to be available for the affected ratepayers.

An example of using rating for strategic objectives would be a Council that wishes to discourage vacant land and encourage building on that land; they might have a higher rate in the dollar for vacant land.

# Likely Impact on Ratepayers

Changing from Site to Capital Value will redistribute the rates and affect ratepayers differently, with some properties paying lower rates than previously and some paying more.

The information in this section shows the effect of changing from Site to Capital Value compared to the current 2023/24 Rates.

Council will consider the total rates they need to raise for the 2024/25 year during their budget considerations in early 2024. The total rates will increase for the 2024/25 budget. This means that the sample data in this section will differ once Council's total budget requirements are determined for 2024/25.

Indicative RIDs are shown below using the rating information for the current year, 2023/24. Note that the RID will change for the 2024/25 rates according to the setting of the total rates required for that year and valuations received by Council at that time.

The Employment Bulk Handling Zone RID has been set to achieve the same total rates from those properties compared to the current year's rates.

|  |  |  |  |
| --- | --- | --- | --- |
| Rating Category | RID compared to Residential | Used for Calculation of Rates | Rate in Dollar (RID) |
| Residential | 100% | .001695006 | .1695006 |
| Commercial Shop | 100% | .001695006 | .1695006 |
| Commercial Office | 100% | .001695006 | .1695006 |
| Commercial Other | 100% | .001695006 | .1695006 |
| Industrial Light | 100% | .001695006 | .1695006 |
| Industrial Other | 100% | .001695006 | .1695006 |
| Primary Production | 100% | .001695006 | .1695006 |
| Vacant Land | 100% | .001695006 | .1695006 |
| Other | 100% | .001695006 | .1695006 |
| Marina Berths | 100% | .001695006 | .1695006 |
| Employment Bulk Handling Zone (Silos) | 373% | .006316998 | .6316998 |

The table below shows the difference in rates using Capital Value instead of Site Value for each rating category compared to the current rates. Employment Bulk Handling is not shown, as the total rates from these properties are the same as their current rates.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Rating Category | One property has the greatest decrease of $ | One property has the highest increase of $ | Value of property with the highest increase of $ | Average Change $ |
| Residential | -3,529 | 1,000 | 1,000,000 | -173 |
| Commercial Shop | -504 | 175 | 630,000 | -141 |
| Commercial Office | -369 | -130 | All decrease | -249 |
| Commercial Other | -2,015 | 1,030 | 990,000 | -158 |
| Industrial Light | -486 | 25 | 425,000 | -186 |
| Industrial Other | -1,105 | 51 | 465,000 | -396 |
| Primary Production | -1,623 | 2,233 | 12,150,000 | 401 |
| Vacant Land | -3,287 | 160 | 148,000 | -322 |
| Other | 0 | 591 | 570,000 | 68 |
| Marina Berths | -59 | -55 | All decrease | -55 |

The table below shows the number of properties that increase and decrease for each rating category.

| Rating Category | Number of Properties that Decrease | Number of Properties that Increase |
| --- | --- | --- |
| Residential | 762 | 413 |
| Commercial Shop | 12 | 3 |
| Commercial Office | 2 | 0 |
| Commercial Other | 47 | 9 |
| Industrial Light | 15 | 2 |
| Industrial Other | 12 | 1 |
| Primary Production | 8 | 785 |
| Vacant Land | 228 | 55 |
| Other | 0 | 6 |
| Marina Berths | 21 | 0 |

Ratepayers attending the information session will be able to see how their individual property will likely be affected. Ratepayers unable to attend the consultation session can contact Council and ask how their property will likely be affected.

# Consultation Requirements

## Legislative Requirements for Consultation

There is a legal requirement for Councils to consult with their communities when considering changes to their rating methodology.

S151 (5) of the Actstates that a Council must prepare a report before:

* changing the basis of rating of any land or
* changing the basis on which land is valued for rating purposes or
* imposing separate rates, service rates or service charges,

S 151(7) of the Actstates that the Council must follow the steps of its public consultation policy but must at least:

* Publish a notice.
* Describing the proposed change
* Notifying that a Rate Review Report is being prepared.
* Inviting interested persons to
  + attend a public meeting.
  + make written submissions.
* Organise a public meeting, which must be held at least 21 days after the publication of the notice.
* Ensure copies of the report are available.
  + at the meeting
  + during the consultation period
  + for inspection at Council's office for free or
  + for purchase for a fee set by Council

The Council must consider any written submissions during the consultation or public meeting.