

## OUR RATING SYSTEM

In 2014/15, Council made a change to how it determines the rates liability of properties within the district. In making the change, we placed emphasis on developing a simple more easily understood rating system. We have taken the view that rates are more akin to a tax than a payment for services received. That is, an activity should be funded from the general rate, unless Council determines that a targeted rate is justified to more appropriately allocate the rates to a community, a sector or a connected property.

The first application of the changed system will be the 2015/16 first quarterly instalment.

The components and reasoning behind the rating system is set out in full in Council's Revenue and Financing Policy and Rating and Rates Remission policies. These policies are on the Council's website [www.westlanddc.govt.nz](http://www.westlanddc.govt.nz) and can be obtained from Council.

### Why we changed the rating system

The existing system had been modified over a number of years and had become complex and unwieldy. It no longer provided certainty, predictability or clarity.

The general rate was formerly calculated by land value, it is now calculated by capital value. This change eliminates a number of existing anomalies and ensures that single rating units containing multiple dwellings or activities will be rated proportionately.

The general rate differentials have been moderated from the previous system that contained multiple rate types, differentials and funding allocations, to just four differential sectors. This is to provide transparency about who pays and provides Council with a simpler, and flexible, method for reviewing the distribution of rates as the needs in the District change.

We wanted to transfer the localised elements of Council expenditure from the general rate to a new community rate. This enables ratepayers to have a direct input to how their rates are allocated in their locale across eight community zones.

### The process

Council initially proposed a 30% UAGC. Feedback was received from the community that the impact of a 30% UAGC was a high proportionate increase for lower to mid value properties, particularly in Rural Residential and certain Residential areas. Council has responded by reducing the UAGC percentage

to 21.7%. This reduction in the UAGC means a greater proportion of the general rate is calculated through the capital value based part of the general rate. The result is a more equitable distribution of the general rate, with more moderate increases across all sectors. In comparison to the draft LTP, this particularly affects higher capital value properties in Commercial and Rural sectors.

The factors applied to the sector differentials were also slightly adjusted to fine-tune the adjustment.

Nevertheless the overhaul to the rating system has resulted in significant movements in rates, particularly for properties with higher capital values. This was originally anticipated because the change corrects a large number of inequities that were inherent in the existing system.

The Comprehensive Funding Impact Statement (in the 'Financial Statements' section of this plan) shows the impact of these changes to the rating system and the changes to the UAGC and capital value rates as a result of consultation.

### Key elements of the rating system

Having been prudent and appropriately exhausting all other funding sources, Council will fund its remaining operating expenses from rates. For many activities this is the main funding source. A portion of the rates intake funds the capital (principal) repayments of debt. We use rates to fund some small items of capital expenditure and some capital projects in advance (by collecting funds for depreciation).

The setting of rates is a complex process. We have chosen to have two general rates; a uniform annual general charge (UAGC) and a general rate based on the value of the property. We have chosen capital value as the basis by which to calculate the general rate.

In the first year, the UAGC has been set at 21.7% of total rates. A UAGC is generally charged to every rating unit. An exception is if contiguous (joining) properties are being used as one unit. The Rating Policy sets out the circumstances when only a single UAGC may be applied.

There are eight community zones, that receive targeted rates relevant to the local services they receive.

Where user charges are not practicable, but discrete user groups can be identified, Council applies targeted rates. The community rate is an example of this, along with reticulated water utilities and such elements as the Hokitika Area Promotions rate.

Targeted rate boundaries have been drawn with the intention of encompassing whole rating units. Should a boundary split a rating unit, Council will rate the property based on the predominate use of the property.

The general rate is applied to those activities which provide a benefit to the whole district.

General rates and community rates are based on the use to which the land is put. Four differentials have been adopted; Residential, Rural Residential, Rural and Commercial. Council undertakes reviews to update its information about what activity properties are being used for. It can also review the differentials.

### **New rates cap**

Council adopted a 5% rates cap for annual increases as a result of strong feedback from the public that it must provide a level of certainty as well as demonstrating efficiency and prudence.

The rates cap is explained further in the Financial Strategy that is contained in this plan (within the “Key Strategies” section).

### **Rates remission opportunities through the Council**

Remission on rating is available for land owned by Council and/or owned and occupied by a charitable organisation, which is used exclusively or principally for sporting, recreation, or community purposes.

This does not apply to any body (including a society, associated organisation, whether incorporated or not) that is for the purpose of profit or gain and/or to groups or organisations who engage in recreational, sporting or community services as a secondary purpose only.

No remission will be granted on targeted rates for water supply, wastewater services or refuse collection.

#### ***Remission is available on/for:***

##### ***1. Schools***

In order to provide relief and assistance to educational establishments in paying wastewater charges.

##### ***2. New Subdivisions***

Remission on new subdivisions is available to provide temporary rates relief to new subdivisions, limit the immediate rates impact of multiple Uniform Annual General Charges (UAGC) and service charges in the first year, provide a rating policy that is consistent with accommodating growth expectations for the district and to encourage or at least not

discourage continued subdivision activity in the district as allowed by the District Plan.

##### ***3. Non-contiguous Farm or Horticultural Rating Units***

The Uniform Charges, where the same ratepayer owns non-contiguous Rating Units that are operated as a single farm or horticultural unit.

##### ***4. Emergencies***

The effects of calamities, i.e. to provide relief when a property incurs severe damage as a consequence of a non-perpetrated event.

##### ***5. Unoccupied Māori land***

Where no income is derived from the land and the liability for rates cannot be definitively attributed.

#### ***Council also has Policies on Remission and Postponement for:***

Rates on Māori Freehold Land. “Māori Freehold Land” is defined in section 5 of the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Māori Land Court by freehold order. Only land that is subject to such an order may qualify for remission under this policy.

Extreme Financial Hardship. The policy offers rates postponement to ratepayers that may be suffering or have suffered extreme financial hardship.

#### ***How can I get a remission on my rates?***

If you do not currently receive a remission and believe you qualify via one of the sections described above, please apply in writing to the Council, detailing the circumstances.

### **The Department of Internal Affairs Rates Rebate Scheme**

Council administers this rates rebate scheme on behalf of the Department of Internal Affairs (DIA). It is designed to provide a subsidy to low-income homeowners on the cost of their rates.

*Ratepayers apply for this scheme through their local council. Westland District Council receives the application form from DIA.*

*You must wait until you get your first quarter rates bill before you see us about organising a rebate.*

When applying for a rebate you will need:

- Your rates notice (including your West Coast Regional Council rates notice if billed separately) for the current rating year

- Information about what your income (before tax) was for the previous tax year ended 31 March
- Information about what your partner/ joint homeowner's income was if he/she was normally living with you.

### Rate accounts

We will be working towards making rates accounts more itemised. We will also continue to develop electronic methods for delivering and paying accounts as well as instalment options. We welcome your input on this.

### Disputes

Objections to the Rating Information Database and rates records will follow the rules laid down by s.29 and s39 of the Local Government (Rating) Act 2002. Any dispute over the application of any of these rating policies that cannot be resolved through liaison with officers, must be made in writing to the Chief Executive. Should the Chief Executive be unable to reach agreement with the ratepayer the matter shall be decided by Council or any such committee or sub-committee it so delegates.

