

Annual Plan 2020/21 & LTP amendment

Briefing 28 January 2020

Impact of general revaluation 2019 and rating options for consultation



Overview of the process

Dates	Activity
4 November 2019	Quotable Value presentation on the outcome of three yearly revaluation
2 December 2019	Briefing from legal advisors
28 January 2020	Briefing - rating methodology options, presented by specialist advisor
11 February 2020	Council meeting - decisions on consultation matters ahead of external audit
18 March 2020	Council approve content for consultation post external audit
6 April to 3 May 2020	Public consultation
13-14 May 2020	Council meet to consider feedback from public consultation
10 June 2020	Council final decisions ahead setting the rates
30 June 2020	Council adopt Annual Plan and LTP amendments, set rates

Background and current Issues

In 2019/20 rating year the following differentials were applied on the general rate to the following types of properties:

Residential	1.00
Business central	2.72
Business suburban	2.63
Business accommodation	2.51
Utility networks	2.36
Rural	0.75

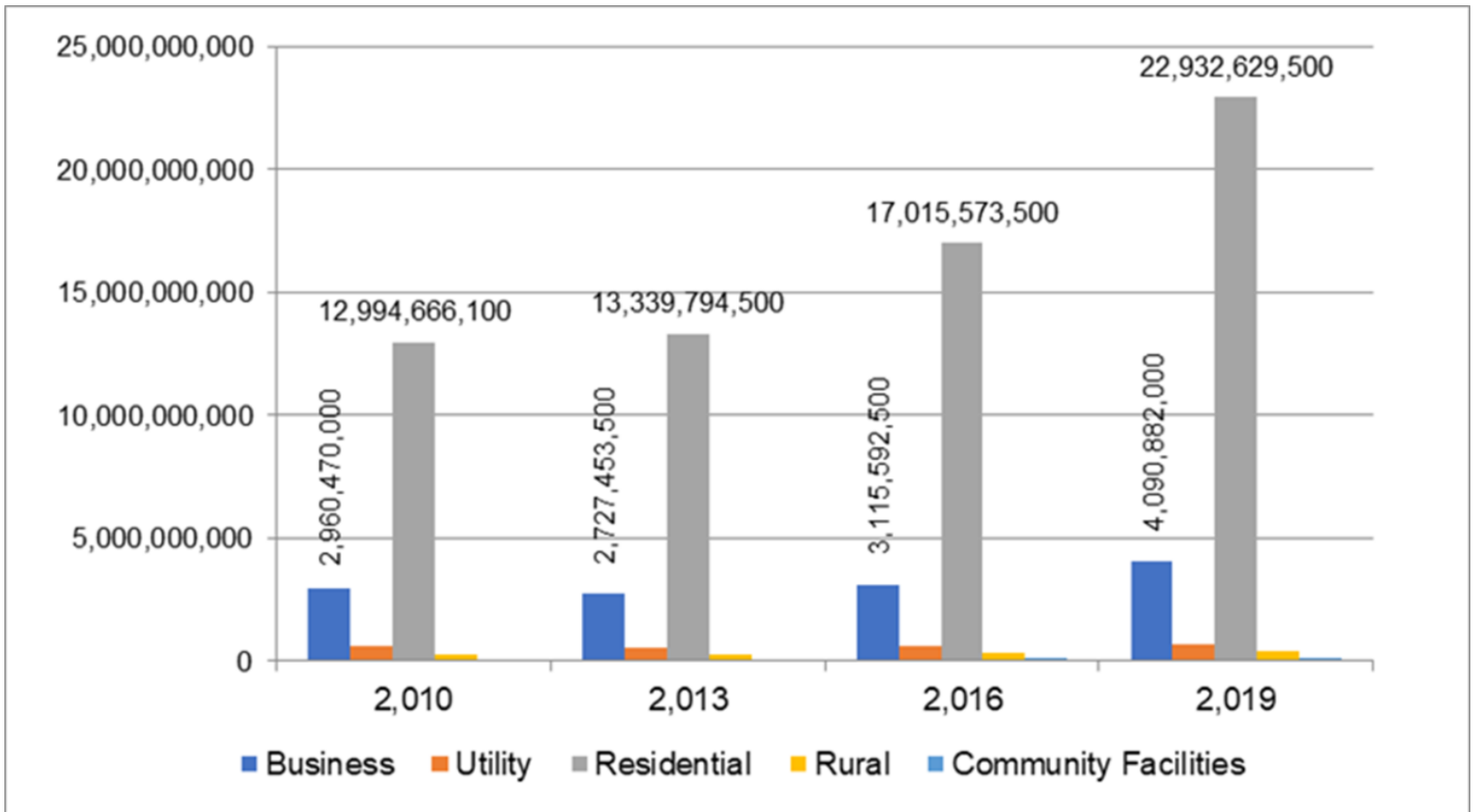
Council has an existing policy to reduce the Business and utility differentials to 2.29 by 2022/23

The rating revaluations have resulted in significant changes in property values across different categories and without intervention the average residential properties will see a 6.1% increase in rates

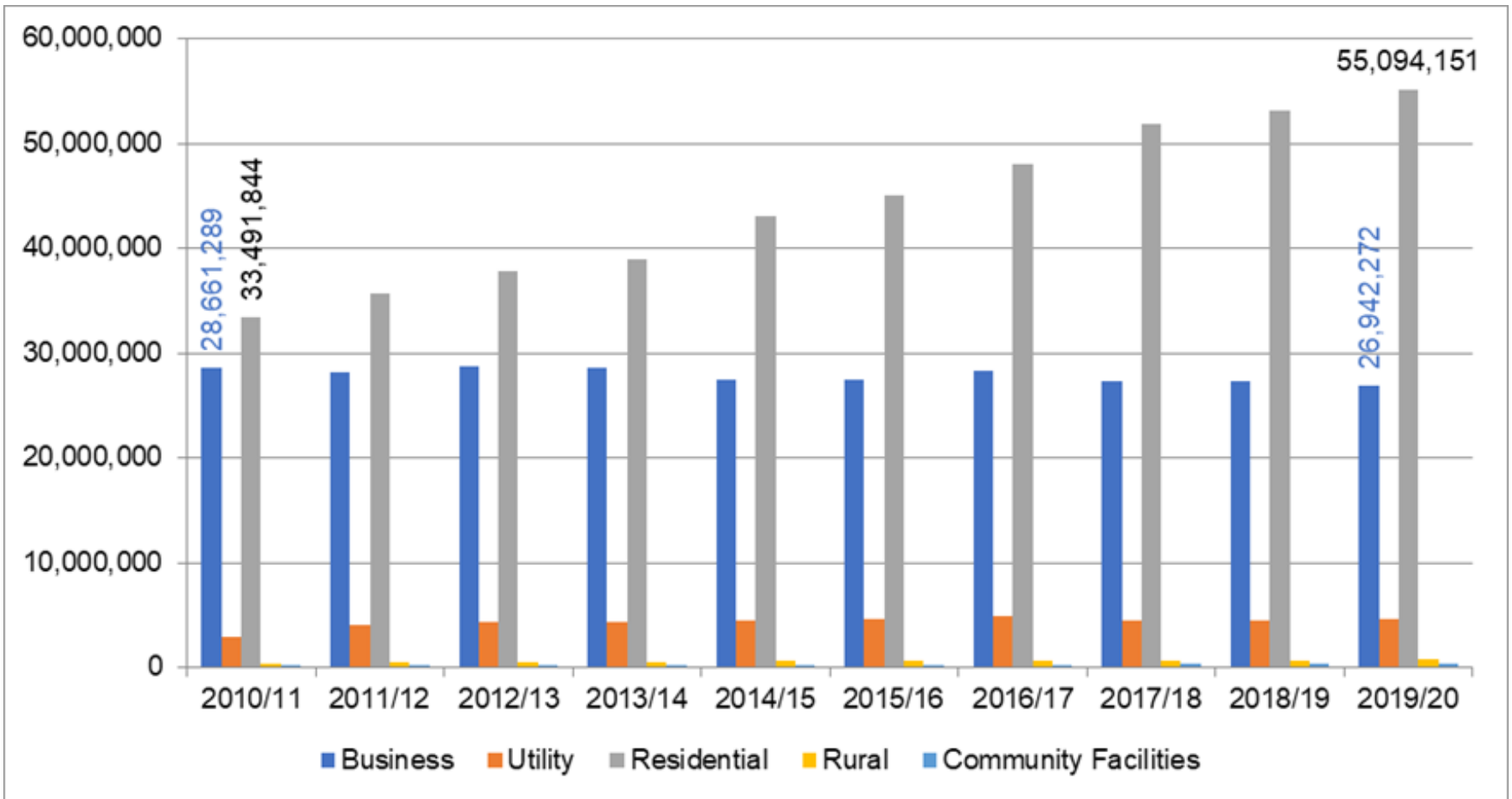
Accumulated change in capital value since 2010 and compared with average

Property category	Accumulated change since 2010	Movement compared with Average
Business	38.18%	Lower (29.16%)
Community facilities	114.19%	Higher 46.85%
Residential	76.48%	Higher 9.13%
Rural	53.42%	Lower (13.93%)
Utility	14.12%	Lower (53.23%)
Average	67.34%	

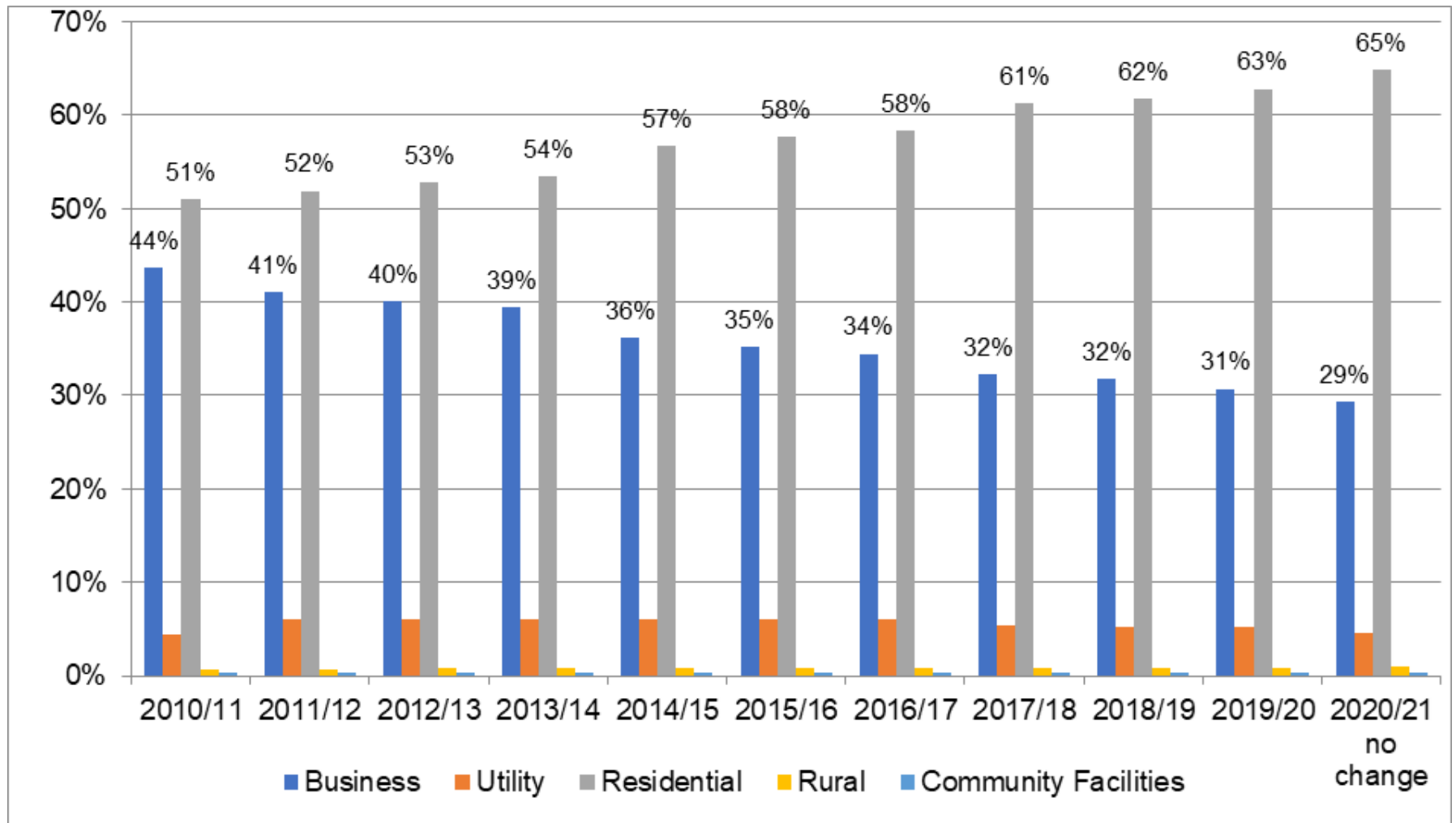
Trend of general revaluation values since 2010



General rates revenue by dollar amount by property category



General rates revenue percentage by property category



Options identified

1. Do nothing –status quo including continue with the reduction
 2. Freeze the reduction for one year
 - This was used three years ago
 3. Retain the percentage based on the 2019/20 General rates splits
 - This will require new differentials to be set
 4. Revert to the intention of the differential of 2.29 now
 - This would require understanding of Council's original intention, and agree with Council intention
 5. Reassess all the General rate differentials
 - This would require undertaking a first principles approach
- Council does not have sufficient time to complete options 4 and 5
 - Council is planning a full review of its Revenue and financing policy as part of the 2021-2031 Long term plan

Process for modification of differential

- The rationale for the differential must be clearly identified in Council's Revenue and financing policy (R&FP)
- The R&FP has a two step process
 - Step one is about Council identifying who should pay
 - Step two is about the impacts of who should pay and making modifications.
- The current policy uses step two to set the differentials
- Therefore to modify the differentials, Council must modify step two and consult with the community

Option consideration

Do nothing – status quo including continue with the reduction

The residential sector would pay more

No policy change required

Possible major changes in 2021/22 following a full Revenue and financing policy review

Impact of no change to rating policy

Property categories	General rates revenue \$M		Change in amount of general rates		Percentage movement
	2019/20	2020/21			
Business	27.0	26.3	(\$0.7M)	Lower	(3%)
Residential	55.1	58.1	\$3.0M	Higher	5%
Utilities	4.6	4.1	(\$0.5M)	Lower	(11%)
Total	86.7	88.5	\$1.8M		2%

NB: Assumes rates increase of 2.8% plus assumed 1% growth in rating base

Option consideration

Freeze the reduction for one year

The residential sector would still pay more

Minor policy change required

Possible major changes in 2021/22 following a full Revenue and financing policy review

Option consideration

Retain the percentage based on the 2019/20 rates

Each category would pay in the same percentage of general rate as last year, but there would be changes within category

Would be in conflict with the current policy

Therefore a Policy change is required

This is only a temporary solution

Possible changes in 2021/22 following a full Revenue and financing policy review

Options to change policy and impact on average residential property
(NB assumes rates increase of 2.8% plus assumed 1% growth in rating base)

Option	Rates 2019/20	Rates 2020/21	% Change	Amount per annum	Amount per week	Compare to option 1
Option 1: Status quo	\$2,477	\$2,629	6.1% Higher	\$152	\$2.92	
Option 2 : Freeze the transition for one year	\$2,477	\$2,607	5.2% Higher	\$130	\$2.50	\$22 p.a. Lower
Option 3: Keep the allocation of general rates at the same levels of % between property rating groups as 2019/20.	\$2,477	\$2,578	4.1% Higher	\$101	\$1.94	\$51 p.a. Lower

The above amounts are inclusive of the wastewater, water supply, and recycling targeted rates.
\$70.80 of the 2020/21 increase is attributable to these targeted rates.

Options to change policy and impact on average business central rates (assumes rates increase of 2.8% plus 1% assumed growth in rating)

Option	Rates 2019/20	Rates 2020/21	% Change	Amount per annum	Amount per week	Compare to option 1
Option 1: Status quo	\$12,471	\$12,321	(1.2%) Lower	(\$150)	(\$4.00)	
Option 2 : Freeze the transition for one year	\$12,471	\$12,764	2.3% Higher	\$293	\$5.63	\$443 Higher
Option 3: Keep the allocation of general rates at the same levels of % between all <u>property rating groups</u> as 2019/20.	\$12,471	\$13,645	9.4% Higher	\$1,174	\$22.58	\$1,324 Higher

Options to change policy and impact on Queensgate shopping centre –
 “stand out ratepayer” (assumes rates increase of 2.8% plus 1% assumed growth in
 rating base)

Option	Rates 2019/20	Rates 2020/21	% Change	Amount per annum	Amount per week	Compare to option 1
Option 1: Status quo	\$2.18M	\$1.59M	(27%) Lower	(\$0.58M)	\$11.2k	
Option 2 : Freeze the transition for one year	\$2.18M	\$1.65M	(24%) Lower	(\$0.53M)	\$10.2k	\$63k p.a. higher
Option 3: Keep the allocation of general rates at the same levels of % between all <u>property rating groups</u> as 2019/20.	\$2.18M	\$2.2M	2% Higher	\$0.034M	\$655	\$630k p.a. higher

Next steps

Your thoughts on options?

Council meeting 11 February to consider consultation options

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3. Retain the percentage based on the 2019/20 General rates splits
 - This will require new differentials to be set