

## Rating Strategy Workshop 2 Summary

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**Meeting:** City of Palmerston Council Rating Strategy Workshop 2

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**Held on:** 27/09/2018

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**Location:** City of Palmerston Council

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### Introduction

The City of Palmerston Council has committed to prepare a 10 Year Rating Strategy in consultation with the community and Deloitte has been engaged to facilitate a series of workshops to help Council prepare the Strategy.

A Community Reference Group (the Group) has been established to provide ideas, concepts and feedback that will be used in preparing the Rating Strategy. The Group represents a mix of residents, block owners and business/commercial rate payers. Over the course of four workshops, Council will gain feedback from the Group. The outcomes of these workshops will help Council to:

- Determine a fair method of raising revenues from rates
- Ensure that the money raised through rating property owners, in conjunction with other income sources, will guarantee the long term financial sustainability of the Council
- Ensure that Council has sufficient measures in place to support community groups, pensioners and those suffering from hardship

The first workshop, The Basics of Rating, was held on Thursday 20 September 2018 at the Council Chambers. There were nineteen community members in attendance.

The second workshop was discussion-based and held on Thursday 27 September 2018 at the Council Chambers. There were sixteen community members in attendance.

### Summary of Discussions:

The Deloitte team summarised Workshop 1 and handed out the draft Workshop 1 Summary Report for the Group to confirm. There were no objections to the Summary Report and it was confirmed.

The Deloitte team answered questions from the week before, including:

- How does Council decide how much revenue they will collect from rates?
- How many rate payers are eligible for concessions in each residential area?
- How can we change the methodology of rating?
- What is the difference between commercial and industrial land?

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- Why is the Rate in the Dollar (used to calculate rates) different by zone? Is it necessary? Is it equitable?
- If the Unimproved Capital Value of a property goes down, how can rates still increase for that property?

The Deloitte team provided information that had been requested, including:

- Financial modelling to see the impact rate changes would have on Council and the services provided
- A snapshot of rates and Council income from the past three financial years
- Information about choices of previous Council and the effect they have had
- Research into other jurisdictions to compare rating systems.

Deloitte reiterated to the Group that the purpose of these workshops was not to discuss or advise on how Council should make budget decisions or determine how it was going to spend rates. These workshops are to provide Council with advice to help Council prepare its rating strategy for the future.

The remainder of the Workshop was a facilitated discussion, where the Group was asked a series of questions and then discussed their ideas. Below is the list of questions asked, along with feedback received from the Group:

- **The objective of Council's 10 Year Rating Strategy should be to...**
  - Ensure there is sufficient funding to cover the services expected and required by the residential, commercial and industrial rate payers and to make allowances for future capital works and infrastructure
  - Create a fair, equitable, transparent system of rating across all types of rate payers
  - Promote the community as a desirable place to live
  - Ensure rate payers are not surprised in the future by changes in rates
  - Consider legislative changes such as the current exemption for churches
- **Which principles should Council base rating on?**
  - Economic efficiency (to promote living and working in Palmerston, to ensure sustainability of Council)
  - Equity (promote unity through the community, no "us vs. them" mentality)
  - Administrative simplicity and transparency
  - Equality (equal rates for zones)
  - Capacity to pay
  - Community involvement (community consultation regarding any new major capital works or infrastructure plans)
- **Is there a better (or fairer) way to raise revenue from rates? If the answer is yes, than what should it be? What are the advantages and disadvantages relative to the existing system?**
  - Flat rate system similar to that used pre-2015, tiered for residential, industrial, and commercial
  - Rate concessions should be applied to vacant land
  - Rubbish collection should be changed to once per week instead of twice
  - Flat rate with across-the-board increases for all rate payers
    - Advantages: no difference among the same type of rate payer, equality, UCV does not take into consideration capacity to pay; perceived as more transparent and fair
    - Disadvantages: more people paying higher rates
  - Valuation-based charge with a UCV cap that is not based on locality

- Advantages: more considerate of capacity to pay, rate cap will ease pressure on those with higher UCVs; seems more equitable
  - Disadvantages: more complex to manage, minimum rate will increase
- There should be various discounts offered, e.g. a discount for paying upfront rather than in separate payments or a discount for those who own multiple dwellings
  - Advantages: discount is available to decrease cost
  - Disadvantages: not all can do this, Council may have to make up the money elsewhere
- Valuation-based rating system that includes multiple differentials for zones
  - This proposed system includes multiple differentials, rather than just residential, residential Marlow Lagoon, commercial and industrial
  - Each zone would be expected to pay a total amount of rates (a certain percentage of the total for Council)
  - To calculate the Rate in the Dollar, the total UCVs in each zone would be totalled and used in calculations
  - Each zone would be paying a different Rate in the Dollar
    - Advantages: rate payers would know the RID they are expected to pay based on their zone, prospective property owners would have this information before buying
    - Disadvantages: Different RID by zone
- **How should rates be split between different types of rate payers? (residential, industrial, commercial) (if differential rating is supported)**
  - Based on a zoning system as discussed in previous example (eg valuation-based rating system with multiple differentials for zones)
  - Differentials are okay, but the minimum rate is too high; small holdings that are considered commercial or industrial pay too much
  - Residential: based on a maximum UCV or flat rate; commercial and industrial zoning isn't equitable

Following this discussion, one member of the Group read two letters from community members she had been in contact with. These letters discussed how rate payers had been affected and what they hoped for in the future.

## Next steps

The third workshop will be another discussion-based workshop, focusing on the following questions:

- What concessions should Council offer and what should the criteria be?
- What support should Council provide those suffering financial hardship?
- What is the most effective way to recover outstanding rates?
- What are your preferred methods of payment and channels?
- What else should the rating strategy cover?
- Should it be called a "10 Year Rating Strategy"? Is there a better name?

**\*This is a draft and will be confirmed at the next workshop on 17 October 2018\***