

Report 02.204

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Report to: Wellington Regional Council
From: Hugo Vitalis, Policy Analyst, Council Secretariat

Stadium Purposes Rate – Alteration of Differential Special Order

1. Purpose

To seek a Council resolution for the alteration of a system of differential rating, by way of Special Order (**Attachment 1**), in order to include utilities' distribution networks within the Special Order categories of rateable properties, for the Stadium Purposes Rate.

2. Background

2.1 *Stadium Purposes Rate*

In order to make and levy the Stadium Purposes Rate on utilities' distribution networks, in accordance with **Report 02.202** on this order paper, the Council must make alterations to the categories of rateable property to which the Stadium Purposes Rate applies.

In 1998 the Council created the Stadium Purposes Rate, a system of differential rating, to meet the costs associated with servicing and repaying a \$25 million loan over 20 years for a Regional Stadium (approximately \$3 million per annum). These costs are met by the Stadium Purposes Rate which is a Works and Services differential rate, made by Special Order pursuant to the Wellington Regional Council (Stadium Empowering) Act 1996 and the Rating Powers Act 1988.

The Stadium Purposes Rate was reassessed during the Council's review of its Funding Policy (adopted 15 June 2000). The Council determined that there be no change to either the Funding Policy or the Funding Mechanism originally adopted.

2.2 *Special Order Process*

Alterations to a system of differential rating (i.e. the Stadium Purposes Rate), must, with few exceptions, be made in accordance with section 84, “with the necessary modifications”. Section 84 requires that a resolution to alter a special order shall include a statement specifying:

- a) The matters taken into account in altering the proposed system of differential rating;
- b) The proposed types or groups of property for differential rating within the district, part of the district, or special rating area, as the case may be;
- c) That the proposed system of differential rating has the object of establishing and preserving, as far as practicable, a stated relationship between the total proceeds of rates received from any type or group or combination of types or groups of property and any other type or group or combination of types or groups of property, if such is the case;
- d) The general effect that the alteration is expected to have on the incidence of rates as between ratepayers or groups of ratepayers within the district, part of the district, or special rating area, as the case may be;
- e) Such other matters as the local authority considers relevant.

In addition, section 84 requires such alterations to be made using the Special Order procedure contained in section 716B of the Local Government Act 1974. This procedure entails that Council put before a meeting its intention to make the Special Order and confirms the Order at a subsequent meeting which must be held between 61 and 70 days after the first meeting or the Order lapses.

The Council must also publicly notify its intention to make the Special Order twice. The first public notice must be published not less than 60 days before the Order is confirmed, the second must be published not less than 7 days and not more than 14 days before confirmation of the Order.

The public notification process provides members of the public the opportunity to make submissions. Submissions must be accepted up until the Council considers the confirmation of the Special Order.

3. **Comment**

3.1 *Alteration of Special Order*

The proposed alteration to the Stadium Purposes Rate (**Attachment 1**) contains the statement, as required by section 84 (see 2.2 above). The statement includes alterations to the categories of rateable property that take into account the way in which each territorial authority has elected to classify utilities’ distribution networks on their rating roll.

In previous Special Orders for differential rates, this Council has defined the categories of rateable property with reference to the property classifications contained in each territorial authority’s rating roll. However, these categories did

not anticipate the possibility of a new, separate classification and therefore now require amendment.

3.2 *Implications of new classifications on the Special Order categories of rateable property*

Most territorial authorities have opted for a separate classification for utilities' distribution networks on their rating rolls. This has meant that it is possible to include utilities' distribution networks within the Special Order "Business" category for the WRC rating purposes (see **Attachment 1**, pp. 2-3).

However, if a territorial authority decides to split the utilities' distribution networks within their city/district into two separate classifications (e.g. half as "business" and half as "residential") it impacts on whether the WRC is able to treat these assets as businesses for rating purposes. An example of such a split is Porirua City Council's (PCC) proposal to divide the utilities distribution networks into two categories:

- a) "Business Utilities" which are classified as "Business" on the PCC rating roll (commercial utilities' distribution networks) ; and
- b) "Public Utilities" which are classified as "Residential and Other" on the PCC rating roll (this includes all PCC and WRC utilities' distribution networks).

The Business Utilities classification can be easily accommodated in the WRC's "Porirua Business" category as defined with reference to PCC's rating roll. However, Public Utilities will fall into WRC's "Porirua Residential" category and therefore all PCC and WRC utilities' distribution networks within Porirua City will only pay the residential portion of the Stadium Purposes Rate.

Officers consider that such classification issues are difficult to avoid due to the manner in which the WRC Special Order categories are defined. It should be noted that each territorial authority is responsible for the rating roll in its city/district. In any case, the alterations to categories in the Special Order ensure that all utilities' distributions networks are subject to the Stadium Purposes Rate.

3.3 *Effect on the incidence of rates*

The overall amount of the rate proposed for 2002/03 is unchanged from 2001/02 at approximately \$3 million for the year. The rating of utilities' distribution networks has no effect on the total amount of the Stadium Purposes Rate payable. However, it will affect the incidence of such rates generally within the business category. The amendments made do not alter the proportions of the total rate paid by each category of ratepayer.

The impact of the Stadium Purposes Rate on an individual property will vary depending on the movement of that property's capital value and movements in the capital value experienced by that rating category. The amount payable in respect of individual rateable properties in all other categories will not be affected by the proposed alteration.

3.4 *Future alterations to differential rates*

In future, alterations to differential rates will not require a separate Special Order procedure. This is due to the coming into force of the Local Government (Rating) Act 2002 on 1 July 2003, which has repealed the Rating Powers Act 1988. Under the new Act such alterations will be included as part of the ordinary consultative process.

4. **Communication**

In line with the statutory process the Council will publicly notify its intention to make the Special Order twice, on 26 April and 15 June 2002. It is proposed to submit the Special Order for confirmation at a Council meeting to be held on 27 June 2002.

5. **Recommendations**

That the Council:

- (1) *Alter, by way of Special Order, the categories of rateable property for the purpose of making and levying the Works and Services rate, known as the Stadium Purposes Rate, as per **Attachment 1**.*
- (2) *Publicly notify its intention to confirm the attached Special Order at the meeting of Council set down for Thursday 27 June 2002.*

Report prepared by

Approved by

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Attachments

1. Stadium Purposes Rate Special Order