

## **9. 2014-2015 Annual Plan Adoption**

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**Reporting officer** Alan Adcock (Group Manager Support Services)

**Date of meeting** 25 June 2014

### **Additional to Item 9**

In recent years potential issues in the rates setting process have been highlighted throughout the sector, and although this Council's processes have not been questioned, staff felt it prudent to seek a legal compliance review to ensure our Rates Resolution and Funding Impact Statement are compliant with legislation and best practice.

The feedback from Council's legal advisors is that whilst there are no real issues, they have proposed a number of changes that will align these documents with absolute best practice.

Note that a small number of typographical changes are not highlighted but have been included in the final version of the Funding Impact Statement.

### **Attachment**

[Replacement pages 84-91 of the 2014-2015 Annual Plan](#) (changes highlighted in red text)

# Funding Impact Statement

This statement sets out the information required by **Clause 20** of Schedule 10 of the Local Government Act 2002 to assist ratepayers in understanding the impact of the Plan. This statement should be read in conjunction with the Revenue and Financing Policy included in the 2012-2022 LTP.

## Financial Disclosures

The Local Government Act requires disclosure of all sources of funding in a prescribed format. The Funding Impact Statement showing the overall sources of funding, the amount of funds expected from each source and how those funds will be applied has been included on pages 62-82 of this document .

## Rates

These **proposed** rates are based on the funding requirements set out in the plan together with the land values and property numbers included in Council's Rating Information Database.

### General Rates

General Rates are set under Section 13 of the Local Government (Rating) Act 2002. Council proposes to set a general rate based on the land value of each **rateable** rating unit in the District. The general rate will be set on a differential basis based on the category of land use. ~~as determined by Council's valuation provider~~. Where a property is used for more than one purpose the value of the property will be apportioned between the different categories. Subject to legal rights of objection, it shall be at the sole discretion of Council to determine the use or principal use of any rating unit.

#### Differential basis

All separate rating units in the District are allocated to the most appropriate category based on the use to which the land is put. The categories are:-

#### Category 1 – Residential

All **separate** rating units which are used principally for residential or lifestyle residential purposes, including retirement villages, flats etc.

#### Category 1(a) – Residential Step 1

All separate residential rating units described in Category 1 (above), on that portion of the property value, where the land value exceeds the District average residential land value from approximately three point five times to approximately seven times.

#### Category 1(b) – Residential Step 2

All separate residential rating units described in Category 1 (above), on that portion of the property value, where the land value exceeds the District average residential land value by over approximately seven times.

#### Category 2 – Multi-Unit

All separate rating units used principally for residential purposes, and on which is situated multi-unit type residential accommodation that is used principally for temporary or permanent residential accommodation for financial reward, including, but not limited to, hotels, boarding houses, motels, tourist accommodation, residential clubs, hostels, but excluding any properties which are licensed under the Sale and Supply of Alcohol Act 2012.

#### Category 3 – Rural

All separate rating units which are used principally for agricultural, horticultural, forestry, pastoral or aquaculture purposes, or for the keeping of bees, poultry or other livestock. This does not include properties which are used for non-economic lifestyle residential purposes, generally 20 hectares or less, and where the value of the land exceeds the value of comparable farmland.

#### Category 4 – Commercial and Industrial

All separate rating units used principally for commercial, industrial or related purposes, which are not categorised as multi-unit or rural; or zoned for commercial, industrial or related purposes, but not otherwise categorised. For the avoidance of doubt, this category includes properties licensed under the Sale and Supply of Alcohol Act 2012; and private hospitals and private medical centres.

#### Category 5 – Miscellaneous Properties

All separate rating units being any other property not otherwise categorised.

## Uniform Annual General Charge

The Uniform Annual General Charge (UAGC) is set under Section 15 of the Local Government (Rating) Act 2002. The UAGC will be charged to each rating unit or separately used or inhabited part (SUIP) of a rating unit. The effect of this is that where a rating unit has more than one use or occupation, a separate charge will apply to each portion.

## Definition of Separately used or inhabited part of a rating unit

A separately used or inhabited part is defined as a clearly identified part of a property (rating unit) that is capable of separate use or capable of being separately inhabited or occupied. For a commercial rating unit this **includes means** a building or part of a building that is, or is capable of being, separately tenanted, leased or sub leased. For a residential rating unit, this includes a building or part of a building which is used, or is capable of being used, as an independent residence. An independent residence means a self contained dwelling containing separate cooking and living facilities; separate entrance; and separate toilet and bathroom facilities.

Examples include:-

- Each separate shop or business activity on a rating unit is a separate part.
- Each dwelling, flat, or additional rentable unit (attached or not attached) on a residential property which is let (or capable of being let) is a separate inhabitable part.
- Individually tenanted flats, including retirement units, apartments and town houses (attached or not attached) or multiple dwellings on Māori freehold land are separately inhabited parts.
- Each block of land for which a separate title has been issued, even if that land is vacant.

## Proposed general rates for the 2014-2015 financial year

The amount of revenue sought from each category ensures that a specified share of revenue is recovered from each category. The total amount of general rates required is calculated as follows:

All residential, miscellaneous and multi-unit properties	62.0%
All commercial and industrial properties	28.5%
All rural properties	9.5%

The amounts may be **assessed levied** as either a value based or a fixed uniform annual general charge, but the total of the two amounts will be the share of total general rates required, net of any remissions.

Multi-unit properties will be charged at a factor of two times the rate in the dollar on residential and miscellaneous properties.

For residential properties, the first \$687,000 of land value is charged at the full residential rate. Where the land value is between \$687,000.01 and \$1,374,000 the rate in the dollar is 50% of the full residential rate for the portion that is over \$687,000.01, and where the value exceeds \$1,374,000.01 the rate in dollar is 25% of the full residential rate for the portion that is over \$1,374,000.01.

The factor for the other categories will depend on the level of revenue, the number of separately used or inhabited parts of a rating unit and the land values in each category. For this year the rate in the dollar was set as follows:

Total land rates required are \$51,700,000 GST inclusive.

Share required from each sector		
Residential, <b>miscellaneous</b> and multi-unit properties	62.0% of \$51,700,000 =	\$32,054,000
Commercial and Industrial properties	28.5% of \$51,700,000 =	\$14,734,500
Rural properties	9.5% of \$51,700,000 =	\$ 4,911,500
		<b>\$51,700,000</b>

Based on the number of separately used or inhabited parts of a rating unit the amount to be collected from UAGCs is deducted from the revenue requirements in each sector and the balance to be collected is based on land value. The amount required is divided by total land value to establish the cents in the dollar required to achieve the desired income. The relationship or differential between the categories will be the result of these calculations, and the multi-unit and residential steps will be calculated based on the resulting residential rate in the dollar.

The sector splits were amended following the triennial revaluation as at 1 September 2012.

Details of charges and the amount of revenue sought and rates in the dollar for the 2014/2015 year are:-

Type of rate	Basis of Assessment	Rate or charge (GST inclusive)	Revenue sought (GST Inclusive)
<b>GENERAL RATES</b>			
Uniform Annual General Charge	Per <del>rating unit</del> or separately used or inhabited part of a rating unit	\$356.00	\$14,275,000
Residential category	Per \$ of land value	\$0.0031249	\$18,835,000
Residential Step 1	Per \$ of land value	\$0.0015624	\$152,000
Residential Step 2	Per \$ of land value	\$0.0007812	\$37,000
Multi-unit category	Per \$ of land value	\$0.0062498	\$114,000
Rural category	Per \$ of land value	\$0.0025926	\$4,355,000
Commercial/Industrial category	Per \$ of land value	\$0.0154950	\$13,781,000
Miscellaneous category	Per \$ of land value	\$0.0031249	\$151,000
<b>TOTAL GENERAL RATES</b>			<b>\$ 51,700,000</b>

### Targeted Rates

Targeted rates are set under Section 16 of the Local Government (Rating) Act 2002. Targeted rates are used where a council service provides a specific activity or a benefit to a specific group of people and consequently it is these beneficiaries that are charged the cost of providing the service. It may apply to all ratepayers or a specific group of ratepayers.

#### Sewage Disposal

The activity for which the targeted rate is set is the operation and maintenance of the sewage disposal system. The targeted rate will be set and assessed per separately used or inhabited part of a rating unit connected to Council's wastewater system on a differential basis based on the number of toilet pans **except for** residential connections **which** will pay a fixed amount regardless of the number of toilet pans. Other premises, i.e., not residential, having no more than two toilet pans or urinals will pay a fixed amount. Where other premises have more than two pans, the charge will be based on the number of pans or urinals.

#### District-Wide Refuse Management

The activity funded by this targeted rate is primarily to provide refuse services not funded by user charges at transfer stations or the per bag charge (paid by stickers or official rubbish bags) for refuse collected at the kerbside. The targeted rate will be applied on a uniform basis to all **rateable** properties and assessed to all separately used or inhabited parts of a rating unit.

It funds kerbside and other recycling, litter bins, clearing of refuse from parks/reserves and streets, roadside rubbish, dealing with hazardous wastes, removing abandoned vehicles and the seasonal clean-ups required at beaches and other tourist locations. Some costs associated with Council's waste minimisation programme are also included.

Also included is the cost of staffing transfer stations to ensure appropriate waste management of hazardous substances and to recover material such as steel and timber to minimise the items that would normally be dumped as waste through the landfill. These are services that benefit the whole District rather than individual users of the District's rubbish collection and disposal services.

#### Water Supply

Water Supply rates are set under Section 19 of the Local Government (Rating) Act 2002. The activity for which the targeted rate is set is for the catchment, storage, treatment and distribution of water throughout various parts of the District. Water consumption is charged as a targeted rate on the basis of water consumed as recorded by a water meter. For all connected properties a uniform targeted rate set under Sec 16 **per SUIP of a rating unit** for the annual supply charge will also apply.

For those premises where consumption of water is not recorded through a meter, but they are connected to any of the District's water supply systems, a uniform targeted rate set under Sec 16 **per SUIP of a rating unit** will apply. Where premises are capable of being connected as they are situated within 100 meters of any public water supply reticulation system, and capable of connection, a targeted rate **per SUIP of a rating unit** for availability will apply.

**Targeted rates** for back flow prevention applies to all properties which have a back flow preventer connected. The revenue will be used for the monitoring and maintenance of the back flow preventers and will be **assessed**

calculated on a scale of charges based on the size of the back flow preventer.

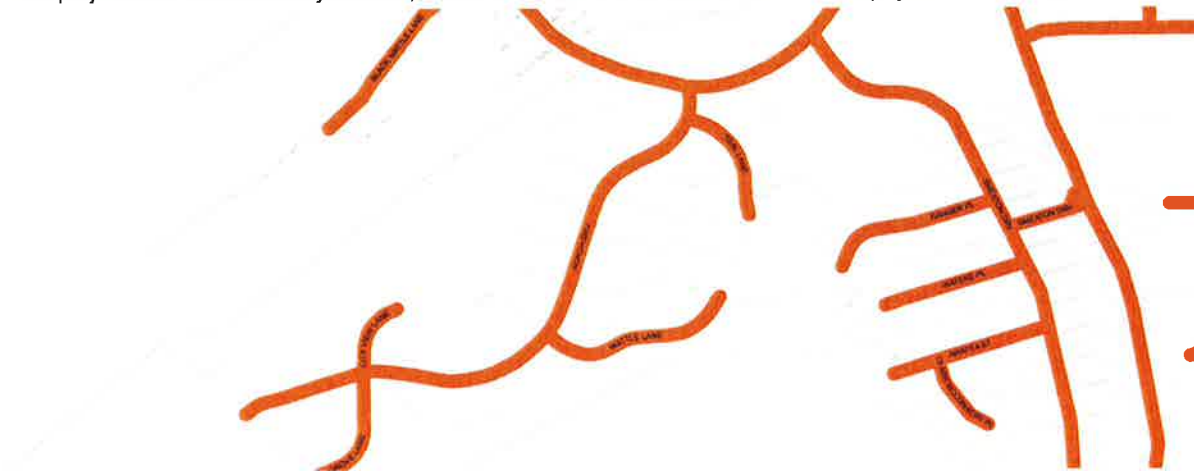
#### Special rates and roading schemes

Targeted rates are set for specific activities under Sec 16 of the Local Government Rating Act 2002 and apply to properties within a defined area of benefit either for the provision of a service, or where they are capable of being connected to the service. Rates for the schemes noted below recover a contribution of the costs of capital works over a five year period. They are:

#### Acacia Park roading remediation

Acacia Park – area of benefit

This project was undertaken by Council, and all costs were to be recovered from ratepayers in the area of



benefit by way of a targeted rate over five years as a fixed amount per rating unit.

#### Ruakaka sewerage extension

Ruakaka South sewerage extension – area of benefit

This scheme provided wastewater reticulation to the Ruakaka South area. The project was partly subsidised by the Ministry of Health. For their share of the costs, ratepayers were given the option of paying a lump sum contribution or over five years by way of a targeted rate. The cost to non-residential properties included



additional costs for treatment and disposal. This rate is assessed as an amount per SUIP of a rating unit, differentiated for residential and non-residential differential categories.



### Coastal Amenities – Pataua South Boat ramp and foreshore protection

Pataua South – area of benefit

This project was to provide a boat ramp and foreshore protection at Pataua South.

All ratepayers in the area of benefit met two thirds of the cost of the project which was payable by way of a five year targeted rate assessed as a fixed amount per rating unit.



### Coastal Amenities – McGregors Bay, Taiharuru erosion protection

McGregors Bay – Area of Benefit

The coastal protection project was initiated by the McGregors Bay community and after consultation the project was undertaken and funded by Council. Two thirds of the costs were then recovered from the properties that benefited from the erosion control project.

The costs were to be recovered by way of a targeted rate over five years. The seven beachfront properties contributed a larger percentage of the cost as they received a greater benefit from the project. The rate is assessed as an amount per rating unit.



### Hikurangi Swamp Rating Districts

A targeted rate applies to properties in the Hikurangi Swamp Special Rating District. The land within this special rating district is divided into classes based on benefit or effect of the scheme on a property. The targeted rate is based on a differential graduated scale according to the class of the property and the area of land within the rating unit. Some properties may have land which falls into several classes. A second targeted rate applies to properties in the Hikurangi Swamp Drainage Rating District, based on a differential graduated scale according to the class of the property and the area of land within the rating unit. The revenue is used to defray the costs and charges of these flood protection schemes.

The Hikurangi Swamp rates are projected to increase 25% this year to fund additional expenditure required to maintain the effectiveness of the scheme as outlined in the LTP.

## Proposed Targeted Rates for the 2014-2015 Financial Year

Details of rates and the amount of revenue sought for the 2014-2015 year is:-

Type of rate	Basis of Assessment <del>Sec 16, 17, 18, 19 and Schedule 2 and 3</del>	Rate or charge 2014-2015 (GST Inclusive)	Revenue sought (GST Inclusive)
<b>SEWERAGE RATES</b>			<b>\$16,280,000</b>
Residential	Per <del>rating unit or</del> separately used or inhabited part of a rating unit	\$596.00	
Other – non-residential up to two pans	Per <del>rating unit or</del> separately used or inhabited part of a rating unit	\$596.00	
Other – non-residential three or more pans	Per <del>rating unit or separately used or inhabited part of a rating unit for each separate</del> pan or urinal.	\$388.00	
<b>DISTRICT WIDE REFUSE MANAGEMENT CHARGE</b>			<b>\$6,210,000</b>
All categories	Per <del>rating unit or</del> separately used or inhabited part of a rating unit	\$155.00	
<b>WATER RATES</b>			<b>\$14,650,000</b>
Consumption Charge	Volume of metered water consumed per cubic metre	\$2.13	
Supply charge	Provision of service per separately used or inhabited part of a rating unit	\$30.00	
Availability charge	Availability of service per separately used or inhabited part of a rating unit	\$30.00	
Uniform charge (unmetered)	Provision of service per separately used or inhabited part of a rating unit.	\$416.00	
Backflow preventer charge	Provision of service per connection based on the nature of connection		
	15/20mm connection	\$73.94	
	25mm connection	\$74.94	
	32mm connection	\$88.65	
	40mm connection	\$90.73	
	50mm connection	\$94.13	
	80/100mm connection	\$237.09	
	150mm connection	\$277.55	
	200mm connection	\$459.69	

Type of rate	Basis of Assessment <del>Sec 16, 17, 18, 19 and Schedule 2 and 3</del>	Rate or charge 2014-2015 (GST Inclusive)	Revenue sought (GST Inclusive)
<b>SPECIAL RATES</b>			
<b>Roading Schemes</b>			
Acacia Park Rooding Remediation (Year 4 of 5)	Per rating unit in a specified and defined area of benefit	\$400.00	\$18,000
<b>Mains Extension – Sewer</b>			
Ruakaka South Wastewater (Year 3 of 5)	Per <del>rating unit</del> separately used or inhabited part of a rating unit in a specified and defined area of benefit which is connected or capable of being connected.		
	- Residential	\$2,342.95	\$473,000
	- Non-Residential	\$3,466.87	\$35,000
<b>Parks and Recreation</b>			
Pataua Boat Ramp and Foreshore Protection (Year 5 of 5)	Per rating unit in a specified and defined area of benefit	\$141.07	\$32,000
McGregors Bay, Taiharuru Erosion Protection (Year 5 of 5)	Per rating unit in a specified and defined area of benefit.		
	Beachfront properties	\$2,204.07	\$15,000
	Other properties	\$304.83	\$9,000
<b>Stormwater</b>			
Hikurangi Swamp Major Scheme Rating District to defray costs and charges within the Hikurangi Swamp special rating area.	Per hectare of land in the Hikurangi Swamp Special Rating area		\$840,000
	Class A approx 2,814ha	\$138.25	
	Class B approx 1,499 ha	\$124.16	
	Class C approx 1,470 ha	\$96.79	
	Class D approx 1,931 ha	\$13.85	
	Class E approx 921 ha	\$6.97	
	Class F approx 32,450 ha	\$2.79	
Hikurangi Swamp Drainage Rating District to defray costs and charges within the Hikurangi Swamp drainage rating area	Per hectare of land in the Hikurangi Swamp Drainage Rating District		\$100,000
	Class A approx 5,190 ha	\$15.99	
	Class F approx 11,956ha	\$1.60	



## Discount for full payment of annual rates

Where the total year's land rates and any arrears are paid in full by the due date of the first instalment a discount will apply. Full details of the actual discount amount available will be included on the rates assessment/invoice.

Please note: Some targeted rates may not have discount applied.

	Due Date	Discount
Full payment of annual land rates and any arrears. (Water rates no longer receive discount for early payment)	20 August 2014	Discount 3.0%

## Due dates for rates paid by instalments

### Due dates and penalty dates for land rates

A penalty will be added to each instalment or part thereof which remains unpaid after the due date for payment.

	Due date	Late payment penalty	Date penalty added
Instalment One	20 August 2014	Penalty 10%	25 August 2014
Instalment Two	20 November 2014	Penalty 10%	25 November 2014
Instalment Three	20 February 2015	Penalty 10%	25 February 2015
Instalment Four	20 May 2015	Penalty 10%	25 May 2015

### Due dates and penalty dates for water rates

Water accounts are processed monthly, two-monthly or six-monthly. The due dates of these accounts will be relative to the consumer's cyclic billing period and will show on the water rates invoice. A penalty of 10% will apply to amounts unpaid after the applicable due date.

### Payment options

A ratepayer may elect to pay both land and water rates weekly, fortnightly monthly, quarterly or annual by direct debit.

Payments can also be made online with a debit or credit card.

## Additional charges

### Additional penalty on arrears for land rates

All rates (including penalties previously added) from the previous rating year ended 30 June 2014 that still remain unpaid as at 1 September 2014 will have a further 10% penalty added.

### Additional penalty on arrears for water rates

A further penalty of 10% will be added to any water rates (including penalties previously added) which continue to remain unpaid at every six monthly interval after the due date.

## Remission and postponement policies

Remission and postponement policies are applied where Council has adopted a policy to alter the amount of rates payable in specific circumstances. These policies may be obtained from our website or on request in person or by phone.