

STAFF REPORT

TO: Mayor and Councillors
FROM: Executive Officer – Strategic Development
REFERENCE: A503
DATE: 3 December 2008
SUBJECT: Policy for Payment of Rates for Subsequent Financial Years

PURPOSE/REASON FOR REPORT

To seek Council confirmation of the current Policy for Payment of Rates for Subsequent Financial Years for inclusion in the 2009-2019 Long Term Council Community Plan.

BACKGROUND

This policy was made under Section 56 of the Local Government (Rating) Act 2002 in respect of sums that may be paid in a financial year in anticipation of a liability for one or more targeted rates, or for targeted rates for one or more specified functions, in subsequent financial years.

The policy has been in effect since the 2006 Long Term Council Community Plan.

COMMENT/DISCUSSION

Council officers are not aware of any reasons why this current Policy would need to be amended, and it appears to have worked well to date.

RECOMMENDATION

That the Tasman District Council confirms, without amendment, the current Policy for Payment of Rates for Subsequent Financial Years, as attached, for inclusion in the 2009-2019 Long Term Council Community Plan.

Sandra Hartley

Policy for Payment of Rates for Subsequent Financial Years

This policy is made under section 56 of the Local Government (Rating) Act 2002 in respect of sums that may be paid in a financial year in anticipation of a liability for one or more targeted rates or for targeted rates for one or more specified functions, in subsequent financial years.

Policy to Apply at Discretion of Council

The authority to consider and approve remissions will be delegated to the Corporate Services Manager.

All remissions granted under this policy will be confirmed by Council in open meetings.

The policy will apply at the discretion of the Council.

Definitions

In this policy, unless the context requires otherwise,

- Area of benefit means the area which, in the opinion of the Council, receives the benefit of a capital work.
- Loan charge means a targeted rate set and assessed to fund a repayment loan for a capital work.
- Loan servicing costs, in relation to any repayment loan for a financial year, means payments of principal and interest for that year.
- Payment of rates for subsequent financial years means the amount of the loan charge for a particular rating unit in anticipation of the rating unit's liability for that loan charge for subsequent financial years less any applicable discount.
- LG(R)A means the Local Government (Rating) Act 2002.
- Rating unit means a rating unit as defined in section 5 of the LG(R)A.
- Repayment loan means a loan or series of loans on which interest and principal are paid annually so that the end of a predetermined period all indebtedness under the loan or loans is repaid.

Principles

The following principles are to govern the way in which this policy is applied:

- a) This policy should only be used for repayment loans where a loan charge has been or will be set and assessed over a defined area of benefit where that area of benefit has been approved by Council.
- b) The loan charge must be calculated by reference to the interest and principal repayments plus actual costs of administration, which will not exceed 10% of the interest and principal repayments for that year.
- c) Whenever a payment of rates for subsequent financial years is offered to ratepayers, the payment of rates for subsequent financial years will be offered in respect of the current outstanding amount of the repayment loan.
- d) For the purpose of applying this policy, the rating unit is the basis for setting and assessing loan charges and the loan charge must be set in accordance with section 18(2) of the LG(R)A. However, the Council may, in appropriate circumstances, determine that for a particular project, this policy applies on another basis that is authorised under the LG(R)A and provided for in the Council's Revenue and Financing Policy. This would only occur if a special Revenue and Financing Policy is developed for a special project which allows for a different charging regime other than the one stipulated in this policy.
- e) Where, as a result of a subdivision, one or more new rating units are created within the area of benefit, a subdivision contribution will be paid in respect of each of those new rating units. The subdivider must nominate:
 - i. To which rating unit the original payment of rates for subsequent financial years applied or a loan charge

applies; and

- ii. To which rating unit/s the subdivision contribution/s apply.

The rating unit/s to which the subdivision contribution/s apply will not be liable for the loan charge.

- f) At the Council's discretion, the Council may alter the area of benefit so as to remove a rating unit from that area of benefit if it is physically impossible or impracticable to connect the rating unit to the service for which the loan charge is set. The onus of proof is on the owner of the rating unit to establish that it is physically impossible or impracticable to connect the rating unit to the service for which the loan charge is set.

- g) Council will not offer payment of rates for subsequent financial years in respect of a repayment loan, or part of a repayment loan, where that repayment loan or part of it is identified as funding future capacity of a capital work.
- h) If any payment of rates for subsequent financial years offers have been made before the commencement of this policy, the basis of calculation on which those previous offers were made remains unchanged even though further offers may be made under this policy.

How this Policy will be Applied

- a) The Council will determine, by way of the annual plan (or LTCCP) process, whether or not it will offer ratepayers of a defined area of benefit the option of paying a payment of rates for subsequent financial years instead of a loan charge in the following financial year or years.
- b) If this policy applies, by 31 May the Council must notify each eligible ratepayer in accordance with section 136 of the LG(R)A of the option to pay the payment of rates for subsequent financial years.
- c) The notice under clause (b) above must state that:
 - i. The ratepayer must, by 30 June notify the Council whether the ratepayer accepts the offer;
 - ii. The payment of rates for subsequent financial years must be paid prior to the stated due date; and
 - iii) If that payment is not received by the due date, the relevant loan charge will be set and assessed against the rating unit in the next financial year beginning on 1 July and subsequent financial years.
- d) The ratepayer must, by 30 June, notify the Council whether the ratepayer accepts the offer, and, if so, which amount the ratepayer wishes to pay.
- e) The Council must deliver an invoice to every ratepayer who has accepted Council's offer. The invoice must contain the following information:
 - i. The address of the Council;
 - ii. The name and address of the ratepayer;
 - iii. The legal description of the rating unit;
 - iv. The payment of rates for subsequent financial years which the ratepayer has notified the Council that he or she wishes to pay;
 - v. The amount of the payment of rates for subsequent financial years that may be paid;
 - vi. Any other information that the Council thinks fit.
- f) If the ratepayer does not pay the payment of rates for subsequent financial years by the due date, the relevant loan charge will be set and assessed against the rating unit in the next financial year beginning 1 July and subsequent financial years.
- g) Despite clause (vi) above, the Council retains a discretionary right to accept any payment that does not constitute the full amount of the payment of rates for subsequent financial years.
- h) Any rates assessment and rates invoice under the LG(R)A must include the amount of the payment of rates for subsequent financial years that has been paid in respect of any loan charge that would be set and assessed against a rating unit.
- i) The payment of rates for subsequent financial years calculation will take into account the loan to be raised, and annual debt servicing costs, over the period of the loan specific to the project.

- j) Council will retain discretion to invite consideration for the payment or rates for subsequent financial years option from time to time.
- k) Once a payment of rates for subsequent years has been received by Council in respect to any property, Council will not enter into an arrangement for repayment of the sum received or any part thereof, either to the current or to any subsequent property owner.