

STAFF REPORT

TO: Mayor and Councillors
FROM: Corporate Services Manager
DATE: 10 February 2011
SUBJECT: **Discount on early payment of rates 2011-2012 – RCN11-02-15**

PURPOSE

To consider revising the prompt payment discount on rate payments for inclusion in the Draft Annual Plan 2011/2012.

BACKGROUND

After receiving a staff report in February 2010 Council agreed to reduce the early payment discount on rates from 4% to 3%. Due to staff concerns over the potential for an abnormally high uptake with the pending GST change the discount for the final 2010/2011 Annual Plan was further reduced to 2%.

The staff report indicated that at an average investment rate of 5% a discount rate of more than 1.875% resulted in ratepayers of the district who pay their rates in several instalments paying higher rates to provide a discount to those that pay their annual rates in one instalment.

Discounts provided by councils vary widely with the following discounts applying to our close neighbours.

Westland District Council	2.5%
Nelson City Council	2%
Buller District Council	0%
Marlborough District Council	0%

OPTIONS

Option 1

Increase the discount above the current 2% and make the corresponding increase to the general rate. An increase in the discount to 2.5% for example would, assuming all things being equal, require an increase in general rates of approximately \$50,000. This option means that those who can afford to pay the rates in one instalment are effectively being subsidised by those who cannot.

Option 2

Offer no early payment discount. Despite the discount being removed, some ratepayers may still pay early. This provides Council with an opportunity to invest the

funds received. There is no information to hand indicating many people would still pay early, and therefore how much Council would benefit from this option. The 2011/2012 proposed budget has been prepared based on a discount of 2% and since this is the fiscally-neutral point, there would be no adjustment to rates should the discount be reduced to zero.

Option 3

Leave the discount at 2%. This option is fiscally neutral to Council meaning that the cost of paying out the discount is equal to the benefits received by Council. This option is recommended by staff.

SIGNIFICANCE

This report is not considered significant in accordance with Council's Significance Policy.

RECOMMENDATION

That the prompt payment discount for early payment of rates in the Draft Annual Plan 2011/2012 remain at 2%.

Murray Staite
Corporate Services Manager