

Funding impact statement

Revenue and financing mechanisms

The Council proposes to use the following revenue and financing mechanisms to fund estimated expenditure for the 2005/06 year (excluding GST).

Funding impact statement

2005/06 ANNUAL PLAN

(All figures shown exclusive of GST)

	\$000	\$000	\$000
Operating Statement			
Total project expenditure			285,678
Self-insurance reserve			500
Total Operating expenditure			286,178
Funded by:	Base (residential) sector	Commercial & business sector	Total
General Rates	38,369	54,439	92,808
Targeted Rates:			
Sewerage rate	16,791	11,194	27,985
Water rate	14,037	9,555	23,592
Stormwater rate	8,098	2,025	10,123
Base (residential) sector targeted rate	6,837		6,837
Commercial sector targeted rate		2,447	2,447
Downtown levey		6,091	6,091
Tawa driveways levy	22		22
Marsden Village levy		13	13
	<hr/> 45,785	<hr/> 31,325	<hr/> 77,110
Total Rates			<hr/> 169,918
User charges			77,801
Other income			
Ground and commercial leases			14,295
Dividends			4,200
Transfund subsidies			11,276
Interest on investments			1,400
Petrol tax			1,000
Miscellaneous			1,556
Carried forward surpluses			-
Non-funded depreciation			4,733
Total Funding			<hr/> 286,178
Capital expenditure			104,689
Funded by:			
Depreciation			48,518
Borrowings			55,866
Development contributions			305
Asset sales			-
Trusts and bequests			-
Total Funding			<hr/> 104,689

Note that the above funding impact statement departs from the Funding Impact Statement forecast for 2005/06 in the 2003/04 LTCCP due to revisions undertaken as a result the review of the Revenue and

Financing Policy in 2004/05 and 2004/05 and 2005/06 Annual Plan decisions. These changes have subsequently been incorporated into the 2004/05 and 2005/06 Annual Plans.

Rates Policy

Rates are assessed under the Local Government (Rating) Act 2002 on all rateable rating units in the Rating Information Database. Where rates are based on value, the capital value of the property as assessed annually by Quotable Value New Zealand Limited will apply. The latest revaluation was carried out as at 1 September 2004 and will be effective for the 2005/06 rating year.

Policy objective

- To provide the Council with adequate income to carry out its mission and objectives.
- To support the Council's achievement of its strategic objectives.
- To be simply administered, easily understood, allow for consistent application and generate minimal compliance costs.
- To spread the incidence of rates as equitably as possible, by balancing the level of service provided by the Council with ability to pay and the incidence of costs in relation to benefits received.
- To be neutral in that it does not encourage people to redirect activity in order to avoid its impact.
- To reflect the decisions of the Council's policies and rating reviews.

General rates

General rates are set under section 13 of the Local Government (Rating) Act 2002 on all rateable rating units in the City of Wellington. The Council proposes to set a general rate based on the Capital Value of each rating unit within the city.

The general rate will be set on a differential basis, based on land use. All rating units (or part thereof) will be classified for the purposes of General rates within one of the following rating differentials:

Differential rating categories

Non-rateable

Includes any land referred to in Part 1, Schedule 1 of the Local Government (Rating) Act 2002. This land is non-rateable in respect of General rates, but where applicable is rateable in respect of targeted rates for sewerage and water.

50 percent non-rateable

Includes all land referred to in Part 2, Schedule 1 of the Local Government (Rating) Act 2002. This land is 50 percent non-rateable in respect of the General rates that would have applied had the property not been classified as non-rateable. Where applicable this land is fully rateable in respect of sewerage and water rates.

Base differential

This includes:

- a) Separately rateable land used solely for one or more household units; excluding those properties that provide short stay (28 days or less) commercial accommodation for which a tariff is charged.
- b) Vacant land zoned residential
- c) Rural land (including farmland and lifestyle blocks) under the District Plan that is administered by Council, but excluding any rating unit that is zoned rural industrial
- d) Separately rateable land occupied by a charitable organisation, which is deemed by the Council to be used exclusively or principally for sporting, recreation or community purposes and that does not generate any private pecuniary profit.

Commercial, Industrial and Business differential

This includes:

- a) Separately rateable land used for a commercial or industrial purpose
- b) Vacant land zoned commercial, industrial or rural industrial under the District Plan administered by the Council
- c) Land used for offices, administrative and/or associated functions
- d) Land used for commercial accommodation for which a tariff is charged and where the principle purpose is the provision of short stay accommodation
- e) Business-related premises used principally for private pecuniary benefit

- f) Utility networks
- g) Any property not otherwise categorised within the Base differential.

Annual Uniform General Charge

The Council does not assess a Uniform Annual General Charge.

Differential rating category conditions

- The Council has resolved, as part of its Revenue and Financing Policy to achieve a target in 2009/10, which modifies the differential apportionment so that the commercial, industrial and business sector pay 2.8 times the General rate per dollar of capital value payable by those properties incorporated under the Base (Residential) differential. For 2005/06 the General rate differential ratio will be 4.9:1.
- The separate parts of a rating unit will be differentially rated where a part of the property is non-rateable or the property fits under one or more rating differential and either:
 - a) the total capital value of the rating unit is above \$500,000, *or*
 - b) minority use(s) account for more than 30 percent of the total capital value of the rating unit.

In any other case, the General rate differential is determined by principal use.

- In regard to the rates attributable to a rating unit during the transition period between two differential rating categories, a ratepayer may apply for a change in rating category at any time between the lodgement of a consent application with the Council (on the condition that the principal prior use has ended) and the earlier of either:
 - a) the time at which the Council gives final approval of the completed works, *or*
 - b) the property is deemed (by the Council) to be available for its intended use.

In situations where the change in land use does not require a Council consent, but warrants a change in differential rating category, the onus is on the ratepayer to inform the Council prior to the property being utilised under the new use.

- The rating differential classification of all rating units must be set prior to the commencement of a rating year and will remain in place for that entire rating year. Any change in circumstances that results in a change of differential classification during a rating year will apply from 1 July of the following rating year.
- Any property eligible for mandatory 50 percent non-rateability under Part 2, Schedule 1, of the Rating Powers Act will be first classified under the appropriate

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General rate differential classifications and the non-rateability applied to that rate.

Targeted Rates

Targeted rates are set under section 16 of the Local Government (Rating) Act 2002.

The Council proposes the continuation of the following targeted rates for 2005/06.

Sewerage rate

A targeted Sewerage rate is to be apportioned 60 percent:40 percent between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the sewerage collection and disposal network and sewage treatment facilities for the city.

For the purposes of these rates the sewage collection and disposal service is treated as being provided if the rating unit is connected to a public sewerage drain (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

The targeted Sewerage rate is calculated as follows:

For rating units incorporated in the Commercial, Industrial and Business differential:

A rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 40 percent of the required rates funding.

For rating units incorporated in the Base differential:

A fixed amount of \$112.50 (incl. GST) and a rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 60 percent of the required rates funding.

Water rate

A targeted rate for water is to be apportioned with the aim of achieving a 60 percent: 40 percent split between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for water collection and treatment facilities, the water distribution network and water conservation for the city.

This rate is set on all rating units serviced by a water connection. For the purposes of these rates, the water service is treated as being provided if the rating unit is connected to the public water supply (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

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The targeted Water rate is calculated as follows:

For rating units incorporated in the Commercial, Industrial and Business differential, either:

- a) a fixed water meter charge of \$1.37 (incl. GST) per cubic meter of water used by all rating units connected to the public water supply with a water meter installed, plus an administrative charge of \$84.37 (incl. GST) per annum

or

- b) a rate per dollar of capital value on all rating units connected to the public water supply, without a water meter installed.

For rating units rated incorporated in the Base differential, either:

- a) a fixed water meter charge of \$1.37 (incl. GST) per cubic meter of water used on all rating units connected to the public water supply with a water meter installed, plus and administrative charge of \$84.37 (incl. GST) per annum

or

- b) a fixed amount of \$112.50 (incl. GST) per rating unit and a rate per dollar of capital value on all rating units connected to the public water supply without a water meter installed, to collect the required Base differential contribution.

Storm water network rate

A targeted storm water rate is to be apportioned 80 percent to the non-rural rating units incorporated under the Base differential and 20 percent to the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the storm water collection/disposal network for the city.

Properties classified as “rural” under the Council’s operative District Plan are excluded from the liability of this rate.

The targeted Storm water network rate is calculated as follows:

For non-rural rating units incorporated in the Commercial, Industrial and Business differential:

A rate per dollar of capital value to collect 20 percent of the required rates funding.

For non-rural rating units incorporated in the Base differential:

A rate per dollar of capital value to collect 80 percent of the required rates funding.

Commercial, industrial and business sector targeted rate

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed benefit to the commercial, industrial and business sector and where the activity is not incorporated in other service related targeted rates. This incorporates the following:

- 80% of the cost of the Visitor attraction activity.

This rate is levied on all properties incorporated in the commercial, industrial and business sector and is calculated on a rate per dollar of rateable capital value.

Base sector targeted rate

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to properties incorporated under the Base differential rating category (incorporating residential ratepayers). This incorporates the following activities:

- 100% of the Community development activity
- 95% of the Community centres and halls activity
- 95% of the Community development activity
- 95% of the cost of Community arts
- 100% of the cost of Maori arts grants
- 100% of the cost of Arts and culture grants
- 100% of the cost of Access to arts
- 100% of the cost of Access support

This rate is levied on all properties incorporated under the Base differential rating category and is calculated on a rate per dollar of rateable capital value

Downtown levy

This rate pays for Civic Square marketing and events, the Council's contribution to New Zealand Festival of the Arts, central city vitality, Positively Wellington Tourism retail and tourism enhancement activities and 20% of the cost of the visitor attractions activity as prescribed in the Council's Revenue and Financing Policy.

This rate is levied on all commercial, industrial and business properties in the downtown area and is calculated on a rate per dollar of rateable capital value. For the purpose of this rate, the downtown area refers to the area designated as the "Central Area" under the operative Wellington City District Plan.

Tawa driveways levy

This rate pays for the maintenance of a specified group of residential access driveways in the suburb of Tawa, overseen by the Council. This rates is levied on a specific group of rating units in the former Tawa Borough at a fixed amount of \$100 (including GST).

Marsden Village targeted rate

This rate is collected by the Council on behalf of the Marsden Village Association on all commercial, industrial and business properties in the Marsden shopping village and is calculated on a rate per dollar of capital value.

TOTAL RATES REQUIREMENT

The Council's rates and charges for the 2005/06 year are set out in the table below:

<i>Rate</i>	<i>Factor</i>	<i>Differentiation</i>	<i>Total Value of Factor</i>	<i>Rate/charge</i>	<i>Rates yield GST Inclusive</i>
					(\$000's)
General Rate	Capital Value	Base differential use	\$24,247,238,083	¢0.178020	\$43,165
	Capital Value	Commercial, industrial & business use	\$7,019,847,783	¢0.8724390	\$61,244
	TOTAL				\$104,409
Sewerage Rate	Fixed charge	Base differential use / connection status	61182 properties	\$112.50	\$6,883
	Capital Value	Base differential use / connection status	\$25,577,595,818	¢0.046942	\$12,007
	Capital Value	Commercial, industrial and business use / connection status	\$5,926,201,593	¢0.212499	\$12,593
	TOTAL				\$31,483
Water rate	Fixed charge	Base differential use/connection status	55962 properties	\$112.50	\$6,296
	Capital Value	Base differential use/connection status	\$21,421,353,060	¢0.042490	\$9,102
	Consumption unit charge	Base differential use/connection status	n/a	\$1.37 / m ³	\$394
	Capital Value	Commercial, industrial and business use /connection status	\$635,705,500	¢0.215384	\$1,369
	Consumption unit charge	Commercial, industrial and business use /connection status	n/a	\$1.37 / m ³	\$9,380
	TOTAL				\$26,541

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<i>Rate</i>	<i>Factor</i>	<i>Differentiation</i>	<i>Total Value of Factor</i>	<i>Rate/charge</i>	<i>Rates yield GST Inclusive</i>
					(\$000's)
Stormwater rate	Capital value	Base differential use (excluding rural)	\$23,940,148,945	¢0.038058	\$9,111
	Capital value	Commercial, industrial and business use (excluding rural)	6,133,641,083	0.037136	\$2,278
	TOTAL				\$11,389
Base sector targeted rate	Capital Value	Residential use	\$24,247,238,083	¢0.031722	\$7,692
Commercial sector targeted rate	Capital Value	Commercial, industrial & business use	\$7,019,847,783	¢0.039221	\$2,753
Downtown levy	Capital Value	Commercial, industrial & business use / central city location	\$4,684,734,919	¢0.146268	\$6,852
Tawa driveways levy	Capital Value	Commercial, industrial & business use / central city location	250 properties	\$100.00	\$25
Marsden Village levy	Capital Value	Commercial, industrial & business use / central city location	\$8,389,840	¢0.167620	\$14
TOTAL RATES REQUIREMENT (INCLUDING GST)					\$191,158

Indicative rates for 2005/06

The tables below provide a guide for rates for 2005/06 (inclusive of GST). Indicative rates are shown for different types of property's depending on the increase in the property's value since last year. Residential rates include a Uniform Targeted Rate of \$225 (including GST) per property for water and sewage. This assumes you have no water meter - if you do have a water meter, your rates bill will not include the Uniform Targeted Rate. Greater Wellington - The Regional Council rates are excluded from these figures.

Indicative residential property (without a water meter)					
2005/06 Capital Values \$	2005/06 Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
200,000	899	-3%	1%	5%	9%
250,000	1,068	-2%	2%	6%	10%
300,000	1,237	-2%	2%	7%	11%
350,000	1,405	-2%	3%	7%	12%
400,000	1,574	-1%	3%	8%	12%
450,000	1,743	-1%	3%	8%	12%
500,000	1,911	-1%	3%	8%	13%
550,000	2,080	-1%	4%	8%	13%

Indicative suburban commercial property rates (with water meter)					
2005/06 Capital Values \$	2005/06 Total Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
250,000	2,903	-3%	2%	8%	13%
500,000	5,806	-3%	2%	8%	13%
750,000	8,710	-3%	2%	8%	13%
1,000,000	11,613	-3%	2%	8%	13%
1,500,000	17,419	-3%	2%	8%	13%
2,000,000	23,226	-3%	2%	8%	13%
5,000,000	58,065	-3%	2%	8%	13%
10,000,000	116,130	-3%	2%	8%	13%

Total Rates 2005/06 (including GST)			
	Base (residential) share \$000	Commercial share \$000	Total Rates \$000
General Rate	43,165	61,244	104,409
Water Rate (incl. water meters & UAC)	15,791	10,750	26,541
Sewerage Rate (incl. UAC)	18,890	12,593	31,483
Stormwater rate	9,111	2,278	11,389
Targeted sector rates	7,692	2,753	10,445
Downtown Levy	-	6,852	6,852
Tawa driveways	25	-	25
Marsden Village	-	14	14
Total Rates	94,674	96,484	191,158

Indicative downtown commercial property rates (without water meter)					
2005/06 Capital Values \$	2005/06 Total Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
250,000	3,807	-5%	0%	5%	11%
500,000	7,615	-5%	0%	5%	11%
750,000	11,422	-5%	0%	5%	11%
1,000,000	15,229	-5%	0%	5%	11%
1,500,000	22,844	-5%	0%	5%	11%
2,000,000	30,459	-5%	0%	5%	11%
5,000,000	76,147	-5%	0%	5%	11%
10,000,000	152,295	-5%	0%	5%	11%

Indicative downtown commercial property rates (with water meter)					
2005/06 Capital Values \$	2005/06 Total Rates \$	Percentage change in capital value from last year			
		5%	10%	15%	20%
Expected percentage change in rates					
250,000	3,269	-3%	2%	8%	13%
500,000	6,538	-3%	2%	8%	13%
750,000	9,807	-3%	2%	8%	13%
1,000,000	13,076	-3%	2%	8%	13%
1,500,000	19,613	-3%	2%	8%	13%
2,000,000	26,151	-3%	2%	8%	13%
5,000,000	65,378	-3%	2%	8%	13%
10,000,000	130,756	-3%	2%	8%	13%

Rates Remission and Postponement Policies

In accordance with Section 85 of the Local Government (Rating) Act, 2002:

- (i) A local authority may remit all or part of the rates on a rating unit (including penalties for unpaid rates) if –
 - (a) the local authority has adopted a remissions policy under section 102 of the Local Government Act 2002; *and*
 - (b) the local authority is satisfied that the conditions and criteria in the policy are met.
- (ii) The local authority must give notice to the ratepayer identifying the remitted rates.

The Council proposes to continue with the he following rates remission provisions in its 2005/06 rating policy.

Rural Open Space Remission

Remission Statement

The Council may grant a 50% remission on land classified as ‘rural’ under the District Plan where the rating units rated under the base differential and used principally for farming or conservation purposes.

Policy Objective

To provide rates relief for rural, farmland and open spaces.

Conditions and Criteria

Land used principally for farming or conservation purposes

A rates remission of 50% of the base general rate be granted to rating units that are classified as ‘rural’ under the District Plan and used principally for farming or conservation purposes. Under this policy, “principally for farming or conservation purposes” is defined as where:

- the rating unit (or property) exceeds 40 hectares in area, and
- 50% or more of the rateable capital value of the property is made up of the land value, and
- the principal use of the land is for conservation, agriculture, horticulture, pastoral or silviculture purposes, or for the keeping of bees, poultry or other livestock excluding commercial dog kennels or catteries

Applying for Remission

All applications must be in writing using the Wellington City Council ‘Application for Remission’ form.

The approval of any remission is at the absolute discretion of the Wellington City Council or its delegated officer.

For the 2005/06 rating year applications for this remission close on 30 June 2005. Successful applications received during a rating year will be applicable from the commencement of the following year. No applications will be backdated.

Delegation

Decisions relating to the remission of rates on farmland are delegated to officers as set out in the Council's delegations manual.

Remissions on Land Used Principally for Games or Sport

Remission Statement

Where the Council considers a rating unit is used principally for games or sport, it will apply a 50% remission of general rates where the rating unit:

- has a club licence under the Sale of Liquor Act 1989
- would otherwise qualify as 50% non-rateable under Part 2, (Schedule 1) of the Local Government (Rating) Act
- is rated at the base differential

Policy Objective

To reduce the adverse financial impact of the Local Government (Rating) Act 2002 on land used principally for games or sports, occupied by clubs that that hold a club liquor licence and no longer qualify as 50% non-rateable.

Conditions and Criteria

All applications must be received in writing using the Wellington City Council 'Application for Remission' form. A remission under this policy will apply for one year only. Applicants must reapply annually. The application for a rates remission must be made prior to the commencement of the rating year (1 July). Successful applications received during the year will apply from the commencement of the following year. No applications will be backdated.

For the avoidance of doubt, this policy specifically excludes chartered clubs and clubs holding permanent charters.

Delegation

Decisions relating to the remission of rates are delegated to officers as set out in the Council's delegations manual.

Special Circumstances Remission Policy

Remission Statement

It is recognised that not all situations in which it may be appropriate for the Council to remit rates will necessarily be known in advance and/or provided for in specific rating policies. In circumstances where the rating policy is deemed by the Council to unfairly disadvantage an individual ratepayer, the Council may grant a one-off remission of part or all of the general rate on condition that the remission does not set a precedent that unfairly disadvantages other ratepayers.

Policy Objective

To provide for the possibility of a rates remission in circumstances that have not been specifically addressed in other parts of the Council's rating policy.

Conditions and Criteria

The Council may remit all or part of the general rate assessed in relation to particular rating unit where:

- the rates on that rating unit are disproportionate to those levied in respect of comparable rating units, or
- the rating policy is deemed by the Council to unfairly disadvantage an individual ratepayer

The approval of the remission must not set a precedent that unfairly disadvantages other ratepayers.

A remission under this policy will apply for one year only. Applicants must reapply annually.

All applications must be received in writing using the Wellington City Council 'Application for Remission' form.

The application for a rates remission must be made prior to the commencement of the rating year (1 July). Successful applications received during the year will apply from the commencement of the following year. No applications will be backdated.

Delegation

Decisions relating to the remission of rates special circumstances are delegated to officers as set out in the Council's delegations manual.

Rates Penalty Remission Policy

Policy Objective

To enable the Council to act fairly and reasonably when rates have not been received by the due date.

Conditions and Criteria

Upon receipt of an application from the ratepayer, or if identified by the Council, the Council may remit a penalty where it considers that it is fair and equitable to do so.

Matters that will be taken into consideration by the Council include the following:

- the ratepayer's payment history
- the impact on the ratepayer of an extraordinary event
- the payment of the full amount of rates due
- the ratepayer entering into an agreement with the Council for the payment of rates

The Council reserves the right to impose conditions on the remission of penalties.

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Delegation

Decisions relating to the remission of penalties on rates are delegated to the Financial Controller, as set out in the Council's delegations manual.

Remission of Rates on Maori Freehold Land

The Council does not have separate policies that apply to Maori Freehold Land. The rates remission policies applicable to Maori Freehold Land are identical to those that apply to non-Maori Freehold Land.