



Funding and Impact Statement (Rates)

The Funding and Impact Statement encompasses the reasonably practicable options considered by Council. The main changes that have been made are as follows:

Stormwater and flood protection rate is proposed to be split with 50% based on a fixed charge and 50% based on the capital value of the rating unit. One of the consequences of this proposal would be that utilities such as power companies, commercial properties and Council itself, would pay a much higher proportion of this rate than previously. The commercial differential has been increased in response to this.

Rates due dates – rates instalments are currently due on the 27th day of August, November, February and May. It is proposed to change the date that instalments are due in each of these instances to the 20th of the month.

Water annual charge – has previously been shown on the water invoice as a daily charge. Following legal advice, Council is moving this annual charge onto the rates assessment. This will be an increase of \$198 incl GST on annual rates assessments, with an equivalent decrease on water invoices.

Commercial differential – Council has adopted a policy that commercial rates are set to collect 25.725% of the total rates excluding water annual charge, water volumetric rate, Clean Heat Warm Homes and Solar saver charges. Council previously had a policy that set the percentage at 25%. This has increased to 25.725% to reflect the change to the stormwater and flood protection rate to 50% capital value and to ensure that the commercial inner city ratepayers met 25% of the loss of parking revenue (\$546,250 incl gst) of the 1 hour free parking initiative.

The following document is provided to the public in accordance with section 82A of the Local Government Act 2002.

Funding impact statement (rates)

How much will my rates cost?

The rates set out in this funding impact statement contribute towards payment for local authority (city council) and regional council services. Nelson is a unitary council combining both of these functions. The final figure is made up of a combination of whichever of the following apply to your rating unit(s):

- General rate, which includes the uniform annual general charge (UAGC)
- Stormwater and flood protection charge
- Stormwater and flood protection rate
- Wastewater charge or commercial wastewater charge for sewage disposal
- Water annual charge
- Water volumetric rate

If part of scheme:

- Clean Heat Warm Home targeted rate
- Solar hot water targeted rate
- Postponement application charge
- Postponement interest

Differentials

Some rates are set on a differential basis, which adjust rates upwards or downwards, typically depending on whether more or less council services are provided, for example commercial, rural or multi-unit properties.

Rates and charges

The 'funding impact statement' sets out the rates and charges that are planned for the next year. Unless otherwise stated, rates and charges are shown including GST.

Rating of separately used or inhabited parts of a rating unit

Definition

Council will charge multiple uniform charges and rates against a rating unit for each separately used or inhabited part of a rating unit which includes any part separately used or inhabited by the owner or by any other person or body having the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. The following are considered to be separately used and inhabited parts of a rating unit.

- Flats or apartments (including Flats that share kitchen or bathroom facilities)
- Separately leased commercial areas of a rating unit
- A vacant rating unit

- Where there is multiple use of a single rating unit, such as a shop with a dwelling.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat without independent kitchen facilities
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- A bed and breakfast room with or without kitchen facilities
- Individual offices or premises of business partners.

Examples of Proposed Rates for 2015/16

To further clarify the rates changes from 2014/15 to those for the 2015/16 rating year a selection of properties has been shown to provide a guide. The following table is GST inclusive. The table covers general rates and targeted rates as shown in the table.

Summary of Rates Increases (inc growth) for representative properties within the City	Land Value (2012)	Capital Value (2012)	2014/15 Rates	2015/16 Rates	% Increase on 2014/15	\$ Increase on 2014/15
Residential - Including average water rates of \$540.00 in the 2015/16 year	\$85,000	\$180,000	\$2,099.30	\$2,102.10	0.13	\$2.80
	\$105,000	\$210,000	\$2,222.80	\$2,240.80	0.81	\$18.00
	\$118,000	\$280,000	\$2,303.10	\$2,346.70	1.89	\$43.60
	\$136,000	\$225,000	\$2,414.30	\$2,445.90	1.31	\$31.60
	\$185,000	\$320,000	\$2,716.90	\$2,792.30	2.78	\$75.40
	\$200,000	\$420,000	\$2,809.50	\$2,920.60	3.95	\$111.10
	\$215,000	\$305,000	\$2,902.10	\$2,981.60	2.74	\$79.50
	\$285,000	\$660,000	\$3,334.40	\$3,545.20	6.32	\$210.80
	\$315,000	\$510,000	\$3,519.70	\$3,692.20	4.90	\$172.50
	\$335,000	\$435,000	\$3,643.20	\$3,798.00	4.25	\$154.80
	\$420,000	\$500,000	\$4,168.10	\$4,367.90	4.79	\$199.80
\$580,000	\$1,275,000	\$5,156.10	\$5,644.70	9.48	\$488.60	
Multi Residential (Two flats - Two UAGC & Wastewater Charges as per Council policy)	\$220,000	\$480,000	\$4,400.60	\$4,562.60	3.68	\$162.00
	\$800,000	\$1,700,000	\$8,294.50	\$9,068.60	9.33	\$774.10
Empty Residential Section (No Wastewater and water charge included)	\$77,000	\$77,000	\$1,103.80	\$1,068.20	-3.23	-\$35.60
	\$225,000	\$225,000	\$2,017.80	\$2,071.20	2.65	\$53.40
	\$405,000	\$405,000	\$3,129.30	\$3,291.10	5.17	\$161.80

Small Holding (No Wastewater and water charge included)	\$280,000	\$280,000	\$2,184.50	\$2,262.90	3.59	\$78.40
	\$385,000	\$690,000	\$2,768.10	\$3,002.10	8.45	\$234.00
Rural (No Wastewater, Stormwater/Flood Protection and water charge included)	\$790,000	\$1,275,000	\$3,556.80	\$3,721.20	4.62	\$164.40
	\$2,125,000	\$2,375,000	\$8,915.50	\$9,330.70	4.66	\$415.20
Commercial - Outside Inner City / Stoke (No water charges included) - 1 Unit	\$365,000	\$710,000	\$6,500.10	\$6,820.30	4.93	\$320.20
Commercial - Outside Inner City / Stoke (No water charges included) - 1 Unit	\$405,000	\$900,000	\$7,132.50	\$7,531.70	5.60	\$399.20
Commercial - Outside Inner City / Stoke (No water charges included) - 2 Units	\$335,000	\$570,000	\$6,513.00	\$6,791.70	4.28	\$278.70
Commercial - Stoke (No water charges included) - 1 Unit	\$35,000	\$85,000	\$1,471.20	\$1,459.30	-0.81	-\$11.90
Commercial - Inner City (No water charges included) - 2 Units	\$290,000	\$620,000	\$7,359.70	\$8,178.70	11.13	\$819.00
Commercial - Inner City (No water charges included) - 2 Units	\$330,000	\$1,075,000	\$8,206.90	\$9,263.40	12.87	\$1,056.50
Commercial - Inner City (No water charges included) - 1 Unit	\$1,150,000	\$2,450,000	\$25,088.60	\$28,506.60	13.62	\$3,418.00

General rate

A general rate set under section 13 of the Local Government (Rating) Act 2002 is based on the rateable value of the land. General rates are set at different rates in the dollar of rateable value for different categories of rateable land. The general rate is 0.64644 cents in the land value dollar (including GST) for the 2015/16 rating year for the base differential category. An explanation of the differential categories, the relative differentials for each category and the amount in the land value dollar for each category is set out at the end of this funding impact statement. This compares to the previous year's rate of 0.61754 cents in the land value dollar in 2014/15 for the base differential category.

Uniform annual general charge (UAGC)

A uniform annual general charge (UAGC) is set under section 15 of the Local Government (Rating) Act 2002 per separately used or inhabited part of a rating unit (excluding properties that are subject to statutory declarations for

unoccupied or second residential units not being used as separate units). It is assessed:

- As a charge for services which have an equal element of benefit irrespective of property value
- To ensure a minimum charge on all properties
- To reduce the extremes of rates paid by the highest and lowest valued rating units
- In recognition that land valuation-based rating does not necessarily reflect a ratepayer's ability to pay.

Council will collect 15% of rates, excluding Solar Saver and Clean Heat Warm Homes targeted rates and water annual charge and water volumetric rate, through the UAGC. The UAGC is \$401.70 including GST per separately used or inhabited part of a rating unit for the 2015/16 rating year. The 2015/16 charge is \$16.00 higher than the charge of \$385.70 for 2014/15.

The rates revenue sought from the uniform annual general charge and certain targeted rates set on a uniform basis is 20.25% of the total revenue from all rates sought by Council. This is well within the 30% limit set by Section 21 of the Local Government (Rating) Act 2002.

Targeted rate for stormwater and flood protection (separate charge) - fixed charge

The stormwater and flood protection rate – fixed charge is a targeted rate set under section 16 of the Local Government (Rating) Act 2002 per rating unit and is \$144.60 for 2015/16 compared to the previous year's charge of \$242.60. It recovers 50% of the funding required by Council for stormwater and flood protection purposes. It is payable by all ratepayers other than the rural rating categories, small holding category and residential properties east of Gentle Annie saddle and Saxton's Island and Nelson City Council's stormwater network. This year's charge is \$98.00 lower than the previous year's charge due to a creation of the targeted rate for stormwater and flood protection (separate general rate) – variable rate.

Targeted rate for stormwater and flood protection - variable rate

The stormwater and flood protection rate – variable charge is a targeted rate set under section 16 of the Local Government (Rating) Act 2002 and is based on the capital value of the rating unit. The targeted rate for stormwater and flood protection is 0.03129 cents in the capital value dollar (including GST) for the 2015/16 rating year. It recovers 50% of the funding required by Council for stormwater and flood protection purposes. It is payable by all ratepayers other than the rural rating categories, small holding category and residential

properties east of Gentle Annie saddle and Saxton's Island and Nelson City Council's stormwater network.

This is a new rate introduced in the Long Term Plan 2015-25 which moves 50% of the targeted rate for stormwater and flood protection (separate general charge) from a fixed charge to being based on the capital value of the rating unit. The rationale for this is that the higher the capital value of the rating unit, the more there is to protect and hence the ratepayer should pay a higher proportion of the rate.

One consequence of this change, in using capital value as the basis, is that utilities such as power companies, commercial properties and Council itself, now pay a higher proportion of this rate than previously.

Targeted rates for Clean Heat Warm Homes

The Clean Heat Warm Homes (CHWH) rates are targeted rates under Section 16 of the Local Government (Rating) Act 2002 and are collected for each separately used or inhabited part of a rating unit that has been provided with insulation and a heater to replace a non-complying solid fuel burner.

Property owners who are eligible for a rate rebate under the Department of Internal Affairs scheme are eligible to apply for a remission of this rate. For more details on this option, refer to the Clean Heat Warm Homes section in the Rates Remissions Policy.

The cost to the community is from funding the interest on the borrowing for the assistance, the administration costs and any rate remissions. The CHWH scheme closed to new applicants from 30 May 2012, but interest costs continue until the last targeted rate is repaid in 2022.

The formula for calculating the targeted rates are for any participating property whose CHWH agreements were signed after 1 July 2011. The targeted rate for each year for 10 years is the total cost of the installed works excluding GST, divided by 10, plus GST at the current rate.

For CHWH agreements dated before 1 July 2011, the targeted rate for each year is based on the agreement entered into with the ratepayer, adjusted for any change in GST.

The table below details the loan assistance bands:

<i>Loan Assistance Range</i>	<i>Installation after 30 Sept 2010</i>	<i>Completed prior to 30 Sept 2010</i>
<i>\$1,400 to \$1,599</i>	<i>\$140.00</i>	<i>\$143.11</i>
<i>\$1,600 to \$1,799</i>	<i>\$160.00</i>	<i>\$163.56</i>
<i>\$1,800 to \$1,999</i>	<i>\$180.00</i>	<i>\$184.00</i>
<i>\$2,000 to \$2,199</i>	<i>\$200.00</i>	<i>\$204.44</i>
<i>\$2,200 to \$2,399</i>	<i>\$220.00</i>	<i>\$224.89</i>

Loan Assistance Range	Installation after 30 Sept 2010	Completed prior to 30 Sept 2010
\$2,400 to \$2,599	\$240.00	\$245.34
\$2,600 to \$2,799	\$260.00	\$265.78
\$2,800 to \$2,999	\$280.00	\$286.22
\$3,000 to \$3,199	\$300.00	\$306.67
\$3,200 to \$3,399	\$320.00	\$327.11
\$3,400 to \$3,599	\$340.00	\$347.56
\$3,600 to \$3,799	\$360.00	\$368.00
\$3,800 to \$3,999	\$380.00	\$388.44
\$4,000 to \$4,199	\$400.00	\$408.89
\$4,200 to \$4,399	\$420.00	\$429.34
\$4,400 to \$4,599	\$440.00	\$449.78
\$4,600 to \$4,799	\$460.00	\$470.22
\$4,800 to \$4,999	\$480.00	\$490.67

Targeted rate for solar hot water systems

The Solar Saver charge is a targeted rate collected under Section 16 of the Local Government (Rating) Act 2002 for each separately used or inhabited part of a rating unit where the owner has been provided with financial assistance to install a Solar Hot Water System (SHWS).

The targeted rate applying to any participating property is determined by the net cost of the work including GST, after deducting EECA grants, plus the funding cost. The full cost of the works and Council's costs of borrowing and administering the scheme are paid over a ten year period by the homeowner receiving the service.

Calculation factors:

- 0.14964 (including GST) for agreements entered into prior to 1 July 2011, multiplied by the Net Cost of the Work adjusted for any increased GST
- 0.13847 (including GST) for agreements entered into after 1 July 2011 multiplied by the Net Cost of the Work.

The SHWS scheme closed to new applicants from 30 June 2012.

Wastewater charge

A targeted rate is set under Section 16 of the Local Government (Rating) Act 2002 to recover the costs required for Council's wastewater and sewage disposal system. This charge is assessed to all rating units (premises) to which the Council's wastewater and sewage disposal service is provided.

The wastewater charge for residential, multi-residential, rural and smallholding properties is \$410.00 per separately used or inhabited part of a rating unit (excluding properties subject to statutory declarations for unoccupied or second residential units not being used as separate units) including GST for the 2015/16 rating year compared to the previous year's rate of \$406.10. The same definition of the differential categories for the general rate is used for the wastewater charge.

The wastewater charge for commercial properties is set at \$102.50 per separately used or inhabited part of a rating unit. Commercial properties are also assessed wastewater charges based on Council's Trade Waste Bylaw. These charges are covered in a separate section of the Long Term Plan.

Water rates

Nelson's water rates are targeted rates for water supply set under section 16 and 19 of the Local Government (Rating) Act 2002 which together recover the funding required by Council to supply water.

Water annual charge

A fixed annual charge set under Section 16 of the Local Government (Rating) Act 2002 which is payable by all ratepayers per water meter installed on the property. The annual rate for 2015/16 is \$198.32 including GST compared with \$202.20 in the previous year. From 2015/16 this is invoiced as part of the rates invoice.

Water volumetric rate

A charge for the quantity of water provided set under Section 19 of the Local Government (Rating) Act 2002 according to the following scale. These charges are invoiced separately from the rates invoices.

The cost per cubic metre is:

WATER CHARGES – RESIDENTIAL, COMMERCIAL AND INDUSTRIAL INCLUDING GST

Amount/type	Cost (\$ per m3) 2014/15	Cost (\$ per m3) 2015/16
All users 0-10,000m3 per year	2.086	2.052
Bulk		
Summer irrigation over 10,000m3 per year	1.820	1.796
Bulk 10,001-100,000m3 per year	1.555	1.541
Bulk over 100,000m3 per year	1.226	1.216

The water rates represent an average decrease of 1.8% for the 2015/16 year for an average water user.

Note: An average water user uses 160m3 per annum.

Lump sum contributions will not be invited in respect of any targeted

rate.

Payment methods for rates

Payment for rates can be made by Cash, Cheque, EFTPOS, Direct Debit, Direct Credit, Internet Banking, Telephone Banking and Credit Card (via our website only).

Penalty on unpaid rates (excluding water volumetric rates)

In accordance with Sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10% is added to each instalment or part thereof that is unpaid after the last date for payment. The penalty dates are 26 August 2015, 25 November 2015, 26 February 2016 and 26 May 2016. Previous year's rates that remain unpaid will have a further 10% penalty added on 30 June and 30 December.

Penalty on unpaid water volumetric rates

In accordance with Sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10% is added to each water account or part thereof that is unpaid after the last date for payment. The penalty is added the next working day.

Penalty remission on full payment of yearly rates

The total annual rates may be paid in one lump sum by 20 November 2015 and any first installment penalty already incurred will be remitted. If the annual rates are not paid in full by 20 November 2015, the penalties relating to the four installments outlined above will apply.

Discount for early payment of rates

In accordance with Section 55 of the Local Government (Rating) Act 2002, a discount of 2% of the total year's rates, excluding water volumetric rates, will be allowed where they are paid in full on or before 20 August 2015.

Differentials

Differentials are adjustments to the rates of particular property types to better reflect the services provided by Council. Commercial properties pay higher rates to reflect additional services such as street cleaning and car parks. Properties classified as rural have a negative differential to reflect the fewer Council services provided to those properties.

Differential categories

Council's general rate is assessed on a differential basis – these rates are subject to the provisions of Schedule Two of the Local Government (Rating) Act 2002. Each year, Council is required to state the category or categories of any differential.

Rating categories

The categories of general rates that are to be used for applying the general rate differential and amount of total revenue to be collected from each category, for 2015/16, is as in the table below.

CATEGORIES OF DIFFERENTIALS BASED ON LAND USE

Category	Description	Total amount (\$)
Residential	single unit, residential rating units	\$45,265,903
Multi-residential	rating units containing more than one residential unit	\$3,088,008
Commercial	rating units used for commercial purposes	\$16,211,315
Rural	rating units defined in the Rating Information Database as rural with a land area greater than 15Ha	\$426,459
Small holding	rating units defined in the Rating Information Database as a small holding with a land area greater than 0.5 ha but less than or equal to 15ha	\$1,482,271

Properties that have more than one use identified above will be placed into a rating category subject to the rating unit's majority use as determined by the Council. The neutral base from which differentials are calculated is a residential property with a single dwelling.

Note: Objections to the Rating Information Database under Section 28 of the Local Government (Rating) Act 2002 will be reviewed by Council and the Council is the sole determiner of rating categories.

DIFFERENTIAL RATES

Class 2015/16	Differential %	Cents in the dollar
Residential – single unit	0.0	0.64644
Residential empty section	0.0	0.64644
Single residential unit forming part of a parent valuation, the remainder of which is non-rateable	10.0	0.71109
Multi Residential	10.0	0.71109
Rural	-35.0	0.42019
Small holding	-10.0	0.58180
Commercial – excluding inner city and Stoke commercial		
100% commercial and industrial (occupied and empty)	152.14	1.62994
25% residential/75% commercial	114.1	1.38403
50% residential/50% commercial	76.1	1.13838
75% residential/25% commercial	38.0	0.89209
Commercial – inner city		
100% commercial and industrial (occupied and empty)	264.42	2.35576
25% residential/75% commercial	198.3	1.92834
50% residential/50% commercial	132.2	1.50104
75% residential/25% commercial	66.1	1.07374
Commercial – Stoke		
100% commercial and industrial (occupied and empty)	246.45	2.23960
25% residential/75% commercial	184.8	1.84107
50% residential/50% commercial	123.2	1.44286
75% residential/25% commercial	61.6	1.04465

Council has adopted a policy that commercial rates are set to collect 25.725% of the total rates excluding water annual charge and water volumetric rate, Clean Heat Warm Homes and Solar Saver charges. 28.821% of this is funded from inner city commercial properties, 1.91% from Stoke commercial properties while 69.269% is funded from commercial excluding inner city and Stoke commercial properties. This would result in commercial properties paying a total of \$16,211,315 in rates for the 2015/16 rating year compared to \$14,553,004 the previous year. The commercial zones of inner city and Stoke are defined in the Nelson Resource Management Plan.

Council previously had a policy that commercial rates were set to collect 25% of the total rates excluding water annual charge and water volumetric rate, Clean Heat Warm Homes and Solar Saver charges. This policy was amended in this LTP to collect 25.725%. The rationale for this policy change was:

1. to ensure that the Commercial – inner city ratepayers met the 25% of the loss of revenue of \$546,250 (including GST) of the 1 hour free parking initiative.
2. that all commercial properties bore their cost of the additional stormwater rate changing 50% to be on a capital value basis.

If the percentage collected from commercial rates hadn't been adjusted upwards for 1 then all ratepayers would have paid all of this cost through the general rate and the council believe that the loss of revenue should be partially borne by the ratepayers who directly benefit from it ie inner city commercial.

If the percentage collected from commercial rates hadn't been adjusted upwards for 2 then the application of the existing differential policy would have negated the effect of the change to funding 50% of the stormwater and flood protection rate to being based on Capital value.

Commercial wastewater charge – trade waste charges

Wastewater charges for commercial properties are set according to Council's Trade Waste Bylaw. Each year the formulae for calculating the charges to commercial producers are complicated, but in summary Council examines the flow rates and effluent strength during the previous year to calculate charges for the following year.

Two methods are used for commercial properties:

- Method A is applied to the largest trade waste contributor and the charge is calculated on both discharge rates and effluent strength. Charges are highest for the most concentrated and larger volumes
- Method B applies to all other trade waste contributors, of which there are approximately 1300 in Nelson City. The charge is calculated based

on the estimated volume of effluent discharged. The estimate assumes the amount of wastewater is 80% of the volume of incoming water.

Total trade waste revenue for 2015/16 is estimated to be \$1,250,000.

For 2015/16, the GST inclusive trade waste charges are:

- Trade waste A conveying charge \$518.26 per litre per minute
- Trade waste A treatment charge \$1,095.74 per kg BOD * per day
- Trade waste B combined charge \$1.66 per m3
- Wastewater charge \$102.50 per year.

*BOD is the biochemical oxygen demand, or effluent strength

For the previous year, 2014/15, the equivalent GST inclusive charges were:

- Trade waste A conveying charge \$470.54 per litre per minute
- Trade Waste A treatment charge \$1,065.35 per kg BOD per day
- Trade waste B combined charge \$1.54 per m3
- Wastewater charge of \$101.50 per year.

The wastewater charges have risen this year due to increased depreciation charges as a result of asset revaluations.

Method A: quality/quantity approach

The largest commercial contributor is monitored every three months and the waste stream sampled over four days to measure the discharge rate and effluent strength as BOD, the biochemical oxygen demand. The trade waste charge is then calculated using the conveyance, which is the amount discharged, and treatment rates from the method of charging schedule. These rates are determined annually. The conveyance rate is calculated by dividing the estimated conveyance costs for the coming financial year by the previous year’s average flow rate. The treatment rate is calculated by dividing the estimated treatment costs for the coming financial year by the previous year’s average BOD loading.

The 2015/16 charges compared with the previous year’s charges are:

CONVEYING (\$/ANNUM/LITRE/MINUTE), INCLUDING GST

Year	Total Cost (\$)	Average Flow Rate (litres/min)	Cost/Litre/Min (\$)
2014/15	5,378,766	11,431	470.54
2015/16	5,738,896	11,073	518.26

TREATMENT (\$/KG BOD/DAY), INCLUDING GST

Year	Total Cost (\$)	Average BOD loading (kg/day)	Cost/kg BOD/day (\$)
2014/15	3,870,232	3,633	1065.35
2015/16	3,903,331	3,562	1095.74

Method B: quantity approach

For all other commercial premises, the tradewaste charge is simply based on the volume of effluent assessed as being discharged from the premises. This effluent volume is calculated by multiplying the volume of water supplied into the premises by a correlation factor. The correlation factor is usually set at 0.8 unless another figure is agreed. It is assumed that 80% of the water that is distributed to a commercial property is subsequently discharged as wastewater. The trade waste charge is then calculated using a combined conveyance and treatment rate. This rate is determined annually by dividing the estimated cost of operating the sewerage system for the coming financial year by the previous year's total effluent volume. Initially, all trade waste ratepayers pay the wastewater rate that is then deducted from the trade waste charges. Any surplus is not refunded. The deficit is the payable trade waste charge.

The 2015/16 charges compared with the previous year's charges are:

CONVEYING AND TREATMENT, INCLUDING GST

Year	Total Cost (\$)	Total effluent volume (m3)	Cost/m3 (\$)
2014/15	9,248,998	6,008,174	1.54
2015/16	9,642,227	5,820,222	1.66