

STAFF REPORT

TO: Mayor and Councillors
FROM: Murray Staite
DATE: 10 February 2010
FILE: RCN10-02-04
SUBJECT: **Uniform Annual General Charge**

Purpose of the report

To consider the level of the Uniform Annual General Charge (UAGC) to be included in the 2010/2011 Draft annual Plan.

Background

Council has been charging a UAGC for many years and during the 2009/2010 annual plan round increased the UAGC by \$20. The UAGC for the 2009/2010 year now stands at \$240.00.

Discussion

The points noted in this report are similar to what has previously been presented to council. The rationale behind a UAGC remains unchanged. Property values alone are not always appropriate as a basis for rating. Uniform annual charges are not related to valuation, and are fixed amounts for every property to which they apply. They are a recognition of the fact that not all local authority services are related to property and that valuations are not necessarily a fair reflection of ability to pay. UAGCs are also used to temper the high and low peaks in rates bills. Councils can choose to collect a portion of their general rate income by a uniform annual charge.

The maximum proportion of the rate to be collected by way of UAGC is restricted by law to no more than 30% of the total rates revenue to be collected. The maximum Council can charge via a UAGC varies year by year but would be approximately \$320.00 per property per year.

It is also important for us to remember that increasing the UAGC does not increase Council revenue but is just another way of apportioning the charge.

Pros and Cons of UAGCs

Pros

UAGCs are a moderator. They reduce the general rate paid by high valued properties whilst increasing the general rate paid by low valued properties.

UAGCs reduce the volatility in rates due to district valuations as less reliance is placed on property valuations in setting rates.

UAGCs are a more equitable way of providing for example the funding of parks and reserves, libraries and community halls, whose usage tends to be more related to each family group rather than the absolute value of the property.

Cons

UAGCs are a flat charge rather than a progressive tax and increase the burden on lower valued properties (which is why the maximum of 30% is in the legislation).

Options

Option 1

Maintain the status quo and leave the UAGC at \$240 per property. This option would however under-utilise the rating moderation effect of a UAGC and would over time steadily increase the burden on higher value properties while ignoring the fact that not all services are related to property values.

Option 2

Continue the practice of the last few years of increasing the UAGC by \$20.00. The effect of this option is noted on the table below.

Sample Property	CV	Total general rate (UAGC \$240)	Total General rate (UAGC \$260)	\$ change
Waimea Village	\$185,000	634.79	647.95	\$13.16
Takaka Residential	\$270,000	816.18	826.19	\$10.01
Residential Richmond	\$455,000	1,210.97	1,214.14	\$3.17
Kaiteriteri residential	\$720,000	1,776.48	1,769.84	-\$6.64
Horticulture Hope	\$2,375,000	5,308.25	5,240.38	-\$67.87
Pastoral Farm-Tutaki	\$3,125,000	6,908.75	6,813.13	-\$95.62

Note: Rate dollars are based on 2009/2010 rates

This option is an extension of the current practice of steady increases without inducing large rating shocks on property owners and as noted above provides some degree of rate moderation.

Option 3

Increase the UAGC to the approximate maximum allowed of \$320.00.

The effects of this change are noted below. While this option provides the greatest moderation of rates it does create significant rate changes particularly to lower priced properties.

Sample Property	CV	Total general rate (UAGC \$240)	Total General rate (UAGC \$320)	\$ change
Waimea Village	\$185,000	634.79	687.78	\$52.99
Takaka Residential	\$270,000	816.18	856.76	\$40.58
Residential Richmond	\$455,000	1,210.97	1,224.54	\$13.57
Kaiteriteri residential	\$720,000	1,776.48	1,751.36	-\$25.12
Horticulture Hope	\$2,375,000	5,308.25	5,041.50	-\$266.75
Pastoral Farm-Tutaki	\$3,125,000	6,908.75	6,532.50	-\$376.25

Note: Rate dollars are based on 2009/2010 rates

Affected Persons

UAGCs affect the proportion of rates levied per property so all ratepayers are affected.

Recommendation

That the UAGC for the draft 2010/2011 funding impact statement be increased by \$20.00 to \$260.00 per rateable property.

Murray Staite
Corporate Services Manager