

# STAFF REPORT

**TO:** Mayor and Councillors  
**FROM:** Murray Staite  
**FILE:** RCN10-02-05  
**DATE:** 10 February 2010  
**SUBJECT:** Discount on early payment of rates

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## Purpose of report

To consider revising the prompt payment discount on rate payments for inclusion in the 2010/2011 draft annual plan.

## Background

Council has for many years provided a prompt payment discount of 4% on rate payments on the proviso that the full year's rates are received by the due date of the first instalment.

The uptake of the rates discount is limited but an amount of \$232,000 is provided from the general rate and incorporated in each year's annual plan.

## Discussion

Council needs to consider whether the cost associated with the discount is appropriate given the benefits received.

Receiving the full year's rate money at the time of the first instalment allows Council to invest this money thereby receiving a return by way of interest. This interest return is limited however as money will be received progressively throughout the year, regardless of any discount offered. Accordingly the real rate of return for Council if the early received rate money was invested, at say 5%, is only 1.8%. Therefore any rates discount in excess of 1.8% is a cost to Council.

With the current discount at 4% those ratepayers of the district who pay their rates in several instalments are paying higher rates to provide a discount to those that pay their annual rates in one instalment.

The ideal discount based upon a 5% investment rate is 1.8%  
Discounts provided by councils varies 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%

Given that the discount has for many years remained at 4% the staff recommendation is that the discount be progressively reduced in stages and have therefore recommended 3% for inclusion in the draft 2010/2011 annual plan. This reduction of 1% would reduce the general rate requirement by \$58,000.

### **Significance**

This report is not considered significant in accordance with council's significance policy

### **Recommendation**

That a prompt payment discount of 3% for rates be included in the draft 2010/2011 annual plan.

Murray Staite  
Corporate Services Manager