LTCCP AMENDMENTS

INTRODUCTION

Every three years, we publish a Long-Term Council Community Plan (LTCCP) setting out our intentions for the ten years ahead – what we'll do, how we'll do it, how much we'll spend, who will pay, the levels of service we'll provide, and how we'll measure the quality and effectiveness of our work. Our current LTCCP was published in 2009 and covers the period 2009-19.

In each of the two years between LTCCPs, we produce an Annual Plan. The Annual Plan takes a fresh look at our work programme for the year ahead and considers whether any changes are needed from the LTCCP – such as revisions to our budgets or adjustments to the work programme to help deal with issues or challenges facing the district.

An Annual Plan may vary from what was planned for the correlating year in the LTCCP, but where variations are significant the Council is required to amend the LTCCP.

LTCCP AMENDMENTS CONSULTED ON WITH THE ANNUAL PLAN 2010/11

The development of the Draft Annual Plan 2010/11 led the Council to consider making amendments to the financial policies in the LTCCP.

The proposed amendments were consulted on as part of the Draft Annual Plan and include the following:

1. Implementation of rating on the basis of Separately Used and Inhabited Parts of a rating unit (SUIPs) including:
    - Introduction of a definition of SUIPs in the Funding Impact Statement
    - Introduction of a new Rates Remission Policy for SUIPs
2. Changes to Debt Maturity Limits in the Liability Management Policy.

IMPLEMENTING SUIPS: AMENDMENT TO THE FUNDING IMPACT STATEMENT

BACKGROUND

Alongside the development of the Draft Annual Plan the Council proposed to progressively implement a rating system on the basis of Separately Used and Inhabited Parts of a rating unit (SUIPs).

The Council undertook a rating review in 2008 to coincide with the 2009-2019 Draft LTCCP. During this process the Council indicated it wished to consult on a rating system based on a fixed amount per SUIP.

Through the Draft LTCCP consultation process in 2009, the Council received many submissions which highlighted the need for further definition and clarification to enable the adoption of rating using SUIPs. As a result, the Council resolved to consider SUIPs during the 2010/11 Annual Plan consultation process.

Through the Draft Annual Plan 2010/11 the Council proposed a staggered implementation of a SUIPs rating system including the implementation of SUIPs for commercial properties in the 2010/11 rating year, with residential and rural properties in the 2011/12 rating year. Commercial/residential/rural properties would be charged the UAGC and roading UAC, and commercial properties would also attract the promotion and development rate in the SUIP calculation.

The proposal in the Draft Annual Plan also included a rates remission policy for residential and rural SUIPs but deferred the introduction of a remission policy for papakainga SUIPs to be considered during the 2011/12 Annual Plan consultation process.

COUNCIL'S DECISION

During the consultation period the Council received a number of submissions on the proposal to implement SUIPs. Following consideration of submissions the Council has decided to apply SUIPs to commercial properties in the 2010/11 rating year. The Council has resolved the following:

> THAT the Council introduces Separately Used and Inhabited Parts of a rating unit (SUIPs) for commercial properties in the 2010/11 rating year, charging the UAGC, roading UAC and promotion and development rate in the SUIP calculation.
>
> THAT in principle, the Council introduces SUIPs for residential and rural properties in the 2011/12 rating year charging the UAGC and roading UAC - subject to further investigation and consideration during the 2011/12 Annual Plan consultation process.
>
> THAT the Council defer the introduction of rates remission policies for residential, rural and papakainga SUIPs to be considered during the 2011/12 Annual Plan consultation process.

REASON FOR THE DECISION

This decision to implement SUIPs on commercial properties recognises that the use of SUIPs as a basis for rating provides the Council with an increased ability to apply the principles of the Revenue and Financing Policy. In particular "where services and the users of those services can be clearly defined, the users should contribute towards the cost of providing those services in proportion to their level of use".

Many of Council's costs are driven by individual users rather than by properties. Defining multiple users of services on one rateable property and rating them for the services they use, allows for a fairer apportionment of the costs according to Council's funding philosophy.

During deliberations the Council also recognised the impact this decision would have in terms of affordability, in particular on smaller businesses. The implementation of SUIPs follows changes made to the rating differential through the LTCCP 2009-19, which saw substantial reductions in rates for commercial properties. The decision to apply SUIPs to commercial properties was seen by the Council to rebalance the allocation of the rating requirement.

The Council has yet to decide whether to apply SUIPs to residential and rural properties in the 2011/12 rating year and will consult further on this issue during the draft Annual Plan 2011/12 together with any rates remission policies for SUIPs.

WHAT DOES THIS DECISION MEAN

Commercial SUIPs

The Council will implement SUIPs for commercial properties in the 2010/11 rating year charging the UAGC at $275, Roading UAC at $50 and promotion and development rate at $160.19 in the SUIP calculation.

For example, currently a commercial building on a single title with three shop leases would pay a single UAGC, a single Roading UAC and a single promotion and development rate, included as part of the rates levied against the property. Under the SUIPs system, each of the three parts of the same property would attract these charges ($485.19 x 3 = $1455.57).

Under this system there will not be an increase in the level of rating income - instead these rates will be collected from more properties and therefore reduces the amount levied against each property on average. To achieve this the rating income gained through SUIPs will be offset, as follows:

- Any additional revenue taken by way of the UAGC will be offset against the general rate.
- Any additional revenue taken by way of the Roading UAC will be offset against the roading targeted rate.
- The level of revenue required from the promotion and development rate will be divided among the number of SUIPs charged.

Residential and Rural SUIPs

The Council has made an in-principle decision to implement Rural and Residential SUIPs in the 2011/12 year subject to further investigation and consideration during the 2011/12 Annual Plan consultation process.

This means that the proposal will be reviewed with consideration given to concerns raised by submitters during consultation on the Draft Annual Plan 2010/11.

This also means that the community will have the opportunity to submit on the proposal through the next Annual Plan consultation process before any final decision is made by the Council.

SUIPs Rates Remission Policies

With the Councils decision to reconsider the implementation of SUIPs for residential and rural properties during the 2011/12 Annual Plan process, the amendment to introduce a rural and residential SUIPs rate remission policy has been deferred.

The Council will revise the rates remission policy for residential and rural SUIPs, and develop a rates remission policy for papakainga SUIPs during the 2010/11 year. These will be brought back for consideration during the Annual Plan 2011/12 consultation process.

The purpose of these policies will be to ensure that the new rating system does not unfairly burden ratepayers who are unlikely to be placing additional demands on Council resources and services.

AMENDED PARTS OF THE LTCCP

Definition of SUIPs

In order to implement a rating system on the basis of SUIPs the Council has amended its Funding Impact Statement in the LTCCP 2009-19, Volume Two (Policies), page 19, by including the following definition of SUIPs:

> "Separately used or inhabited part" includes any part of a rating unit separately occupied by the owner or any other person who has the right to occupy that part by virtue of a tenancy, lease, licence or other agreement.
>
> The Council further defines Commercial, rating units as follows:
>
> **Commercial SUIPs**
>
> For a commercial rating unit, a SUIP is a building or part of a building that is, or intended to be, or is able to be, separately tenanted, leased or subleased for commercial purposes.
>
> In a commercial/industrial situation a separately useable or habitable part will be classified where the property has been set-up to accommodate, or is accommodating, separate lessees, tenants, or the like, operating separate businesses from the same rating unit. Separate units made available for the travelling public are not considered to be separately used for the purposes of a rating unit unless they are made available for term (more than six months) rental.

CONSEQUENTIAL IMPACTS

As a result of the decision to implement a rating system on the basis of SUIPs there will be no further material impacts on, or amendments to, other policies or proposals in the 2009-19 LTCCP.

ADDITIONAL INFORMATION: CRITERIA FOR ESTABLISHMENT OF A SUIP

To facilitate the interpretation of the definition of a SUIP, the Council have some additional criteria for information purposes only. The criteria allows Council to clearly indicate to ratepayers whether or not their property falls into the SUIP classification.

Commercial Criteria

- Where a building or resource consent allows for a separate operation
- Would be captured as a separate unit under the provisions of the Council's Development Contributions Policy
- Able to be accessed independently of any other unit
- Includes offices that have shared facilities
- Excludes all accommodation establishments for the travelling public, including motels, hotels, camping grounds and backpacker lodges
- Offers non-transient accommodation or term lease

These definitions and criteria will guide in application of the SUIP policy and provide the ability to more clearly assess for a multiple SUIP, where the initial assessment is in dispute.

Not all properties identified as having multiple SUIPs will be able to be classified according to the above criteria and definitions. As such, some site visits will still be required to determine the rating status of the property.

Criteria for the establishment of rural and residential SUIPs will be added if and when the Council implement rural and residential SUIPs following consideration during the 2011/12 Annual Plan consultation process.

LOAN MATURITY LIMITS: AMENDMENT TO THE LIABILITY MANAGEMENT POLICY

BACKGROUND

Alongside the development of the Draft Annual Plan the Council proposed an amendment to the LTCCP to change the maturity limits for loans and committed facilities within the Council's Liability Management Policy.

The Council's policy for the maturity period of all loans and committed facilities is outlined in section 2.0(d) of the Liability Management Policy.

This policy indicated that between 20% to 60% of all loans and committed facilities should mature within a period of 0-3 years. The policy specified that the Council's debt maturity schedule could operate outside these limits, but it must be by Council approval.

Under these circumstances the Council has been in breach of the Policy limits for almost two years, with Council approval. This has allowed the Council to take advantage of favourable short term borrowing facilities.

Through the Draft Annual Plan the Council proposed to change the maturity limits to allow greater flexibility with the use of borrowings facilities.

COUNCIL'S DECISION

During the consultation period the Council received independent professional advice endorsing the amendment. Following consideration of this information during the deliberations process the Council resolved the following:

> THAT the Council proceed with the amendment to the Liability Management Policy within the LTCCP – increasing the maximum percentage for the debt maturity period of 0-3 years from 60% to 80%.

REASONS FOR THE DECISION

The changes to the Liability Management Policy allow the Council the flexibility to take greater advantage of short term borrowing facilities. While this carries more risk there are potential gains to be made in terms of savings in interest costs.

The Council recognised that the limits contained with the Liability Management Policy for the maturity spreading of the committed facilities have been consistently breached for almost two years and that while these breaches have been advantageous to the Council, the Council wished to move towards policy compliance.

AMENDED PARTS OF THE LTCCP

The Council has amended the Liability Management Policy in the LTCCP 2009-19, Volume Two (Policies), page 32.

Section 2.0(d) of the Liability Management Policy entitled Liquidity and Credit Risk Management includes a table outlining the minimum and maximum maturity limits for maturity periods.

Under the "0 to 3 years" period the maximum limit has been increased from 60% to 80% with no change to the other minimum or maximum percentages.

CONSEQUENTIAL IMPACTS

As a result of this amendment there will be no further material impacts on, or amendments to, other policies or proposals in the 2009-19 LTCCP.