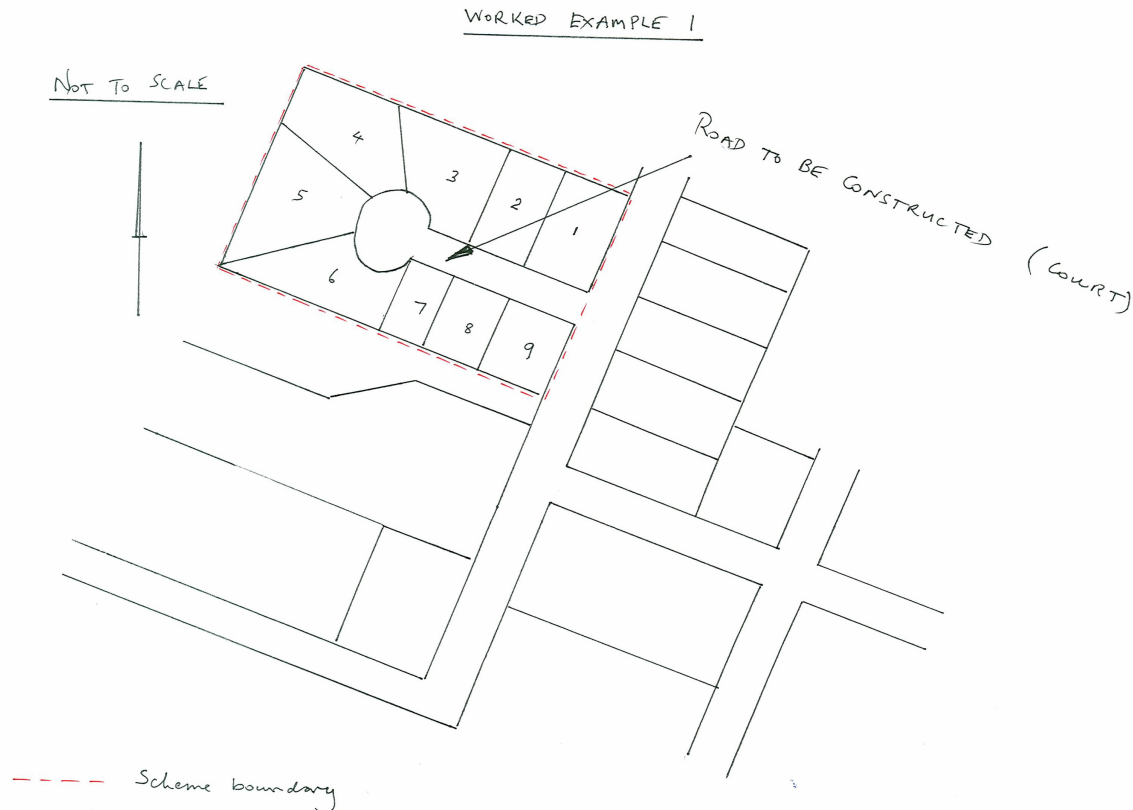**Worked Example 1**

(construction of cul de sac by way of special charge)

Calculation of the maximum total levy pursuant to sections 163(2), (2A) and (2B) of the Local Government Act 1989, including the requirements set out in the Ministerial Guideline made pursuant to section 163(2C)

A. Define purpose

This is the first step. The purpose must describe the reasons as to why the works are required.

The purpose of the scheme is to provide a constructed road that is suitable for the area, having regard to the zoning and locality, the environment and the probable use of the road. It will include road pavement and surfacing, full kerb and channel, and drainage.

B. Ensure coherence

This is the second step. There must be a sufficient measure of connectivity or correspondence between the works and the properties that it is considered will receive a special benefit from the works.

All of the properties in the court are considered to receive a special benefit.

C.   Calculate total cost

This is the third step. It will be based on the estimates obtained.

The total cost of the project has been estimated at $100,000. This includes a provisional amount for contingencies, and scheme preparation and administration costs.

D.   Identify special beneficiaries

This is the fourth step. The Council must determine which properties will receive a special benefit from the proposed works.

A special benefit is a benefit or advantage available to the special beneficiaries which is *"additional to or greater than"* the benefit available to properties not included in the scheme.

All of the nine (9) properties enjoying an abuttal to the court, and no others, will receive a special benefit.

E.   Determine the properties for inclusion in the scheme

This is the fifth step. The Council must determine which of the properties identified as receiving a special benefit will be required to pay the special charge. In most cases, all special beneficiaries will be required to pay, unless the relevant land is non-rateable or otherwise should not pay.

All nine (9) properties are to be included because all of the properties are rateable.

F.   Estimate total special benefits

This is the sixth step. It requires the Council to determine the level of benefit which each of the properties to be included in the scheme will receive, and also the level of benefit which any properties not to be included in the scheme will receive.

All of the nine (9) properties to be included in the scheme are considered to receive the same level of benefit. This benefit is to be ascribed as a "benefit unit" – being a notional recognition that each property receives the same or equal benefit.

G.   Estimate total community benefits

This is the seventh step. Community benefits are considered to exist where the works provide *"tangible and direct"* benefits to people in the wider community, beyond the special beneficiaries.

There are not considered to be any broader community benefits because people using the court are only accessing or servicing the properties that have been identified as receiving a special benefit. Also, the court does not feed other roads or service community facilities.

H.   Calculate the benefit ratio

This is the eighth step. The ratio is calculated in the following way –

$$\frac{TSB(in)}{TSB(in) + TSB(out) + TCB} = R$$

where –

TSB(in) is the estimated total special benefits to those properties Council has decided to include in the scheme (that is, which will be required to pay the special charge)

TSB(out) is the estimated total special benefits to those properties Council has decided not to include in the scheme (that is, which will not be required to pay the special charge)

TCB is the estimated total community benefit

The ratio will be calculated as follows –

9 divided by 9 + 0 + 0 = 1 (or 100%)

I. Calculate the maximum total levy

After the total costs and the ratio have been worked out, Council must calculate the maximum levy in accordance with the following formula –

R x C = S

where –

R is the benefit ratio

C is the total cost of the works

S is the maximum total amount that can be levied from all persons who are liable to pay the special charge.

The following calculation is made –

1 x 100,000 = 100, 000 (or $100,000)

Council may accordingly levy the full cost of the works against the special beneficiaries. Note, this is the maximum total levy. Council may still decide, for proper reasons, to levy a lower amount.

Note also that this process is conducted prior to the "apportionment" of the special charge, which is separate from the calculation of the maximum levy payable.