

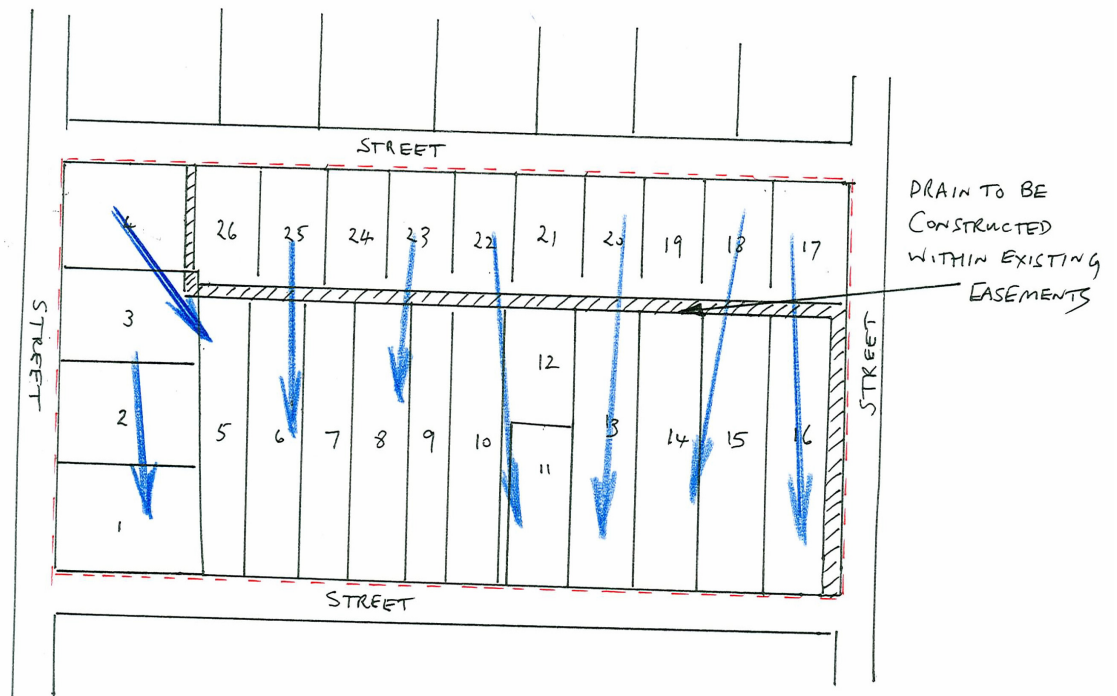
### Worked Example 4

(construction of an easement drain 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)

#### WORKED EXAMPLE 4

NOT TO SCALE



- - - - - Scheme boundary
- Storm and surface water flows

#### 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 stormwater drain to properties where an easement already exists. There is a history of flooding.

**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 scheme are considered to receive a special benefit. This includes in respect to the “catchment” that has been determined by the Council both “upper” and “lower” properties, on the basis that it is considered both categories of property receive equal 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 \$500,000. 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.

There are 26 properties considered to receive special benefits, being both the “upper” and the “lower” properties. No other properties outside the defined catchment 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 26 properties are considered should be included. There is no non-rateable land and no other reason as to why any of the properties receiving a special benefit should not be included.

**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 26 properties identified as receiving a special benefit are considered to receive the same level of benefit, regardless of whether they discharge or receive water.

**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 considered to be no broader community benefits. The scheme will only benefit the properties in the defined catchment.

**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 –

26 divided by 26 + 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 –

$$R \times C = S$$

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 –

$$1 \times 500,000 = 500,000 \text{ (or \$500,000)}$$

### Special Rates & Charges Worked Examples

Council may accordingly levy up to 100% of the cost of the works or \$500,000 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.