

8. OPTIONS FOR BILLING ECAN RATES

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PURPOSE OF REPORT

1. This purpose of this report is to advise the Council of options for billing the Canterbury Regional Council's (referred to as Environment Canterbury (ECan)) rates, a service the City Council conducts under contract as ECan's agent.

EXECUTIVE SUMMARY

2. The Council has requested a report on the options for the Christchurch City Council (CCC) in acting as the rating agent for the Canterbury Regional Council, ECan. The Council's objectives for investigating options around the rating function include a desire to draw a clearer distinction between the roles of the two Councils in the public viewpoint. There is evidence that the public is confused regarding the respective roles of the two Councils and the rating decisions by one authority can have an impact on the public's perceptions of both. Separation of the rating invoicing functions may be a way to attach greater accountability and transparency to the respective authorities' functions.

3. There are two distinct rating services performed by the CCC for ECan:

First, the CCC supplies ECan with a copy of the District Valuation Roll (DVR), as required under statute. ECan shares in the costs of preparing the DVR, based on its proportion of rates set; currently 16% or \$155,000 pa. This service by the CCC will continue under any billing structure option.

Secondly, the CCC provides a billing agency service for ECan for which it charges 2% commission, or \$675,000 revenue (05/06). It is this service which is optional. This service is made up of:

- Maintenance of the Rate Information Database, including the ECan rates on each rating unit, name of ratepayer, address, property details and rates assessed;
- Processing of the rate billing transactions, including:
 - Issuing its rate assessment, with a separate page for ECan,
 - Combined rates invoice/ statement, together with the City Council, quarterly;
 - Cash processing including receipting, bank direct credits of various types, and direct debiting;
 - Arrears collection;
 - Processing remissions, enquiries, transfers of property transactions; and
 - Accounting for ECan's share of the rates and distribution to ECan monthly.

Attached as Appendix A is a sample of an Instalment One rates assessment notice containing the current year's combined assessment and combined invoice/statement. The content of the form is, to a large extent, prescribed by statute.

4. In terms of meeting the Council's objectives for increased public understanding of the distinction between the two authorities, the options can be assessed as follows:
 - (1) Continue to act as the agent for ECan, but publish a separate ECan assessment and ECan invoice/statement for each instalment to highlight the distinct nature of the two Councils, mailed under a separate cover; or
 - (2) Decline to act for ECan in billing for its rates.
5. The first option offers a comprehensive separation, by providing a separate assessment and a separate invoice/statement for each Council. This would assist in ensuring that the distinction between each Council's role and function is clearly defined and reinforced at the point of transaction. It also ensures that the cost structures for each Council are clearly separated. This approach ensures that the separate accountabilities are reinforced at multiple transaction points.

BACKGROUND ON THE COUNCIL ACTING AS THE RATING AGENT FOR ECan

12. The CCC is the rate billing agent for ECan in Christchurch. Generally, each territorial council undertakes this role in its area within the Canterbury region.
13. There are two distinct rating services performed by CCC for ECan.
14. Firstly, CCC supplies ECan with a copy of the District Valuation Roll (DVR). This is an obligatory function under Sections 7 and 43 of the Rating Valuations Act 1998. The DVR is the basis for rating for Councils. It lists all the current rateable property in the city, the ratepayers and property attributes, and is maintained by the City Council's Valuation Service Provider and Council staff under statute and the Valuer General's direction. Only one DVR is maintained in each district.
15. ECan shares in the costs of the DVR, based on its proportion of rates set, currently 16% or \$155,000 pa. The cost allocation is under statute. This service will continue under any billing structure option.
16. Secondly, CCC provides a billing agency service for ECan for which it charges commission. This is the primary focus of this report and the options described. This service is provided under contract between CCC and ECan, and as such either party may vary the terms of the service or even choose not to continue the contract, with reasonable notice. The status quo (the current service) is cost effective, generates commission income for the Council and allows it to administer rate policies on behalf of ECan.
17. The Council has asked for options of service delivery to maximise the community understanding of the separate roles of the two Councils and the rates payable. The services provided for ECan are identical to those necessary for the Council to complete its rating processes. There are very few extra tasks.
18. The data for rating for both councils are merged into one database within the CCC's rates processing system and once the rate assessment for each council is issued to the ratepayer, for all practical purposes the rates are collected as a single whole. An analysis of the rates due for any ratepayer can be made to separate the CCC portion and the ECan portion, but the transactions lie within a single debtor account. This separation is only formally made at year end as part of the balancing and reconciliation process, and is not requested at ratepayer level.
19. The focus for ratepayers has been on the amount of rates assessed for each Council.
20. The current billing process is made up of the following components:
 - Uploading and integration of the DVR within the rating database.
 - Maintenance of the Rate Information Database, including:
 - Recording ECan rates, on each rating unit in the city. This record is open for public inspection.
 - Loading rate decimals into the system, both draft and final.
 - Processing rate billing transactions, including:
 - Issuing ECan's rate assessment, published on a separate page from the CCC rate assessment, and designated by Council headings and colour;
 - Combining the ECan rates charged, together with the CCC rates, in the single quarterly rates invoice/ statement issued to each ratepayer;
 - Rates payment processing including cash receipting, bank direct credits of various types, and direct debiting;
 - Arrears collection.
 - Processing remissions, enquiries, transfers of property transactions.
 - Accounting for ECan's share of the rates and distributing to ECan monthly.
21. The CCC fee to ECan for the billing service is 2% commission on ECan rates collected and this provides \$675,000 (net of GST 2005/06) revenue for the Council. The commission is automatically adjusted each year as the quantum of ECan's rates is increased.
22. The current process is the simplest and most cost-effective rates collection process, but does not meet the City Council's desire for a clear separation of accountability between the Councils. Hence the recommendation to change the services provided.

Options for service delivery – processing issues

23. The options outlined each present the Council with degrees of separation and clarity of communication with the community. Option one requires time and resources for the Council to separate the billing functions. Option two would require sufficient notice to ECan to allow time for it to make alternative arrangements.

If change in the service or contract was contemplated, then the options for change are:

- (1) publish a separate assessment and invoice/statement for ECan to highlight the distinct nature of the two Councils, in a separate envelope to the ratepayer, or
 - (2) decline to act for ECan in billing for its rates.
24. Option (1) requires a separation of the rates debtors' ledger in addition to the separate issue of a rates assessment for ECan. There would need to be separate identification of:
- The ECan Rate Information Database within the CCC's data set; and
 - The ECan rate transactions and debtors' records, including balances outstanding, distinct from the rate transactions applicable to CCC balances.
25. Depending on the computer solution chosen, this effectively means all rate transactions and volume of enquiries will be duplicated.
26. This separation will require significant restructuring of the computer system process and require additional staff resources to operate it.
27. The practical impact of this option on the rates processes and systems will require careful consideration, together with software and process change, at a time when the CCC rates software is due for replacement. The City Council has been careful not to overload the system as it is at the end of its useful life and is no longer supported by the supplier. The change should only be introduced as part of the system change scheduled for 2008.
28. Cost recovery from ECan for the additional work will be by negotiation between CCC and ECan.
29. Option (2) means the City Council limits its role to providing a DVR for ECan to undertake its own billing or have another agent do this. CCC would no longer receive the commission revenue therefore there would be an increase in CCC rates of \$675,000 (05/06).
30. It will take time for ECan to establish alternative arrangements. A notice period of at least six months is reasonable.
31. Option (2) presents an additional complication for processing rates rebates, (noting the increase to an estimated 20,000 applications) in that whilst CCC is responsible for the rebate processing, it must include ECan rates. There may be practical difficulties and delays in processing.
32. The costs for each option are outlined, as much as they can be estimated at this point, under the heading Financial Considerations.

In this option the Council will be paid for the DVR share, say \$155,000 pa only.

Conclusion

33. The objectives of separation for the CCC as outlined in the opening comments cannot be fulfilled under the current billing arrangements.
34. Full separate billing under an agency agreement cannot be delivered in the short term and a delay of 12 months is recommended. The separation can come from CCC acting for ECan and separately billing, or by declining to act.
35. Declining to act for ECan will result in a loss of revenue for the City Council of \$675,000 (2005/06).