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Sponsor/Group:	General Manager Corporate

Rating Policy

Purpose and scope

1. To assist in setting rates as specified within the requirements of the Local Government Act 2002 (LGA) and the Local Government (Rating) Act 2002 (LGRA).
2. This Policy is to be read in conjunction with the Revenue and Financing Policy, Rates Remission and Postponement Policy and Funding Impact Statement.
3. The Council must complete the following to set a lawful rate.
 - a. s.101(3) analysis (see Funding Needs Analysis)
 - b. Adopt a Revenue and Financing Policy (see the 10-Year Plan)
 - c. Adopt a Funding Impact Statement (see either an Annual or 10-Year Plan)
 - d. Adopt an Annual or 10-Year Plan
 - e. Adopt a rates resolution consistent with everything above.

Policy

4. 2018/19 represents the first year of the 2018-28 10-Year Plan. Changes to the Council's Rating system have been made, with the intention these represent the most appropriate rates options to address the present and future needs of the city.
5. These changes include:
 - ending the Land Value to Capital Value transition earlier. The original ten-year transition has been reduced to six years - the transition will now be completed in 2020/21. For 2018/19 land value transitional rates (less remissions) will make up 47% of the total general rates collection (General rate, Transitional rate, UAGC)
 - introduction of a Uniform Annual General Charge (UAGC), which is to be transitioned in over three years to become the same amount as if it had been introduced at \$500 in 2018/19 and increased by the Council's annual rates increase. For 2018/19 the UAGC will be \$165
 - change how rural properties are rated
 - continuing the Hamilton Gardens rate

General rate

6. The General rate is set differentially using matters as prescribed in Schedule 2 of the LGRA, and as listed in the Funding Impact Statement.
7. The LGRA Schedule 2 allows councils to set a General rate based on each of these matters.

General rate differentials

8. Rating units assessed for the General rate are categorised into one of four differential categories:
 - Commercial
 - BID Commercial
 - Other
 - Residential
9. These differential categories are defined as shown in the Council's Funding Impact Statement.

Intention of the General rate category definitions and guidelines

10. The Commercial and BID Commercial rating categories are predominantly based on the use of the rating unit. Where the land is vacant, the allocation of rating category is determined by the underlying zoning as per the District Plan.
11. The General rate for Commercial and BID Commercial rating categories does not include recovery of costs for the provision of water and refuse collection.
12. The Other rating category is for those rating units which do not meet the definition of Commercial or BID Commercial and are not connected, or are unable to be connected, to both the Council's water (ordinary supply) and wastewater networks.
13. Generally, the properties in the Other category will have water supplied via a water meter.
14. Primarily the Other category is land which is zoned to allow for future development. Often this land is used for lifestyle or rural purposes.
15. The Residential category incorporates all rating units not allocated to the Commercial, BID Commercial, or Other categories.
16. Generally, the properties within the Residential category will be connected to the Council's water network (ordinary supply), wastewater network, and receive a refuse collection.
17. An allocation for stormwater is incorporated as part of the General rate within all rating categories. Although it is understood that individual properties manage stormwater in different ways, the contribution provides for the management of stormwater services throughout the city.
18. Where the Rating Information Database (RID) identifies that a rating unit has more than 1 SUIP this does not imply that the rating unit is entitled to more than one supply of any service.

Differential category rate calculations

19. Revenue allocations between rating sectors were determined in 2014 as part of the 2014/15 rating review, when the Council adopted transitioning the General rate from Land Value to Capital Value.
20. For the first three years of the transition the allocation of general rates (General rate, Transitional rate) was set by maintaining these percentage yields within the three rating sectors: Commercial, Residential, and Rural (now Other) not by a specific cost allocation method. From 2018/19 the total amount of general rates (General rate, Transitional rate, UAGC) less remissions, will be increased by the Council's annual rates increase for existing properties within each of the Residential and Commercial sectors (excluding utilities). This will result in a change to the overall percentage yield of each sector as the total land value and capital value of each sector change at different rates.

21. For the purpose of the allocation, the BID Commercial rating category (where the General and Transitional rates are set at 95% of the Commercial rate) is included within the Commercial rating sector.
22. For the other category the General rate is calculated to be the amount of the Residential category General rate less an appropriate adjustment for wastewater and ordinary water supply services not provided.
23. Considering the Council's guiding financial principles seeking to collect a more appropriate rate from growth and the overall impacts of a reduced transition period to full Capital Value rating, and the introduction of a UAGC, the Council has chosen this as the appropriate model for the allocation.

Uniform Annual General Charge

24. A portion of the General rate is assessed as a UAGC. This is set as a fixed amount per SUIP (as defined within the Funding Impact Statement). The UAGC modifies the impact of rating on a city-wide basis.
25. The Council adopted the introduction of a UAGC to commence in the 2018/19 rating year. Starting at \$165 in 2018/19 the UAGC will transition in over three years to become the same amount as if it had been introduced at \$500 in 2018/19 and increased by the Council's annual rates increase. Following the transition, the UAGC will increase by the Council's annual rates increase.
26. The rationale for setting the UAGC is documented in the Revenue and Financing Policy.
27. The UAGC is not a direct allocation of any services. This is not adjusted where any service, including water, wastewater or refuse is not provided.

Targeted rates

Transitional rate

28. The Transitional rate is differentiated into seven rating categories:
 - Residential
 - Multi-Unit Residential
 - Commercial
 - BID Commercial
 - Rural Residential
 - Rural Small
 - Rural Large
29. The Transitional rate is implemented to transition the impact of the change from the Land Value General rate to a Capital Value General rate. This rate has been in place for the past three years, and will continue for the 2018/19 and 2019/20 years. The Transitional rate is being assessed substantially on the basis of the Land Value General rate prior to the start of the move to capital value rating, including its differentials. These land uses are defined as shown in the Council's Funding Impact Statement.

Hamilton Gardens

30. This rate is set and assessed on all rateable property as a fixed amount per SUIP.
31. This rate was introduced in 2014/15 as the Council's contribution towards delivering new themed gardens at Hamilton Gardens. The Council's contribution was one third of the projected total cost of the initial project.
32. When first established this targeted rate was intended to end in 2018. With the extension of the development programme in the 2018-28 10-year Plan, the Council has decided to retain the rate to contribute to the funding for the development and maintenance of themed gardens as part of the Hamilton Gardens activity.
33. The 10-year Plan forecast that the Hamilton Gardens rate will increase by \$1.00 (excluding GST) in each year of the plan.

Business Improvement District (BID)

34. This rate is set and assessed on all rating units defined within the BID Commercial General rate category and comprises both a fixed amount per SUIP and a rate in the dollar based on the Capital Value.
35. The targeted rate is adjusted annually by the inflation rate for operating expenses adopted by the Council.
36. The BID and Central City map is shown on Schedule 1 of this policy Rating Maps.
37. The purpose of this rate is to support the central city development as is defined within the BID Policy.

Central City (This rate was introduced in 2017 and is operating under a trial for review in June 2019)

38. This rate is set and assessed on all rating units defined within the BID Commercial general rate category and is set as a fixed amount per SUIP.
39. The BID and Central City map is shown on Schedule 1 of this policy Rating Maps.
40. This rate provides funding to the transportation network activity.

Service Use Category

41. Service Use Category rates are set and assessed as targeted rates that are applied to rating units defined by the use, for the purpose of charging for water, wastewater, and refuse collection. These rates are defined in the Funding Impact Statement.
42. The intention of these rates is to enable land described as Non-Rateable by Schedule 1 Part 1 of the LGRA to contribute to the funding of water, wastewater, and refuse collection services. The individual rates are:
 - Service Use Water
 - Service Use Wastewater
 - Service Use Refuse
43. Service Use Category also includes land which is Council reserve and where there is a community, sporting or cultural activity which is subject to a lease agreement as defined within the Council's Community Occupancy Policy.
44. Upon application, the Council extends the rating treatment of the Service Use Category to rating units which are operated by not for profit organisations, whom provide benefits to the

wider community and where there is no private pecuniary gain. Refer to the Rates Remissions and Postponements Policy for criteria.

45. The targeted rate for refuse collection is calculated as a fixed rate based on the net cost to provide the service and the number of SUIPs receiving the service.
46. The targeted rate for water provision is the same as the Commercial and Other Category Non-Metered Water rate and is applied where the rating unit is connected to Council's water network but not provided with a metered connection.
47. The targeted rates for the provision of Wastewater services is calculated as a rate in the dollar using both the Land Value and Capital Value of the rating unit. Using the combination of Land Value and Capital Value has regard to the variety of property types, and large range of rateable values.

Metered Water Rate

48. This is set and assessed for metered and restricted flow water supply on a differential basis to all rating units that are metered (as defined by Hamilton City Council's Water Supply Bylaw 2013).
49. This is calculated based on the average cost to produce 1,000 litres of water.

Commercial and Other Category Non-Metered Water

50. This rate is set and assessed on Commercial and Other category properties which are connected to the water network but are not provided with a metered connection. The intention of this rate is to ensure a contribution towards water costs, as they are not otherwise allocated as part of the General rate.
51. This is set as a fixed rate which represents the minimum charge which would be applied if water was otherwise supplied via a water meter.
52. This is calculated based on applying the metered water rate to an average annual consumption of 240 kilolitres.

Sporting and Cultural (50% non-rateable)

53. 50% non-rateable status is applied to those ratepayers as defined under Schedule 1, Part 2 of the Local Government (Rating) Act 2002.
54. The Council assesses the Sporting / Cultural rate as 50% of the Residential General rate, Transitional rate, UAGC and Hamilton Gardens rate.
55. This represents a rates contribution from Sporting and Cultural groups as required under the Local Government (Rating) Act 2002.
56. Sporting and Cultural groups do not receive a Council refuse collection, as this service is intended for residential households.
57. Section 9 of the LGRA provides that 50% non-rateable properties will pay targeted rates for water, wastewater, and refuse collection. Metered water is a targeted rate and is payable in addition to the calculated 50% rate.

Rates based on location

58. Council has established two rates based on the location of a rating unit. Rating boundaries have been drawn with the intention of encompassing entire rating units. Should a boundary split a rating unit, the Council will rate the property based on the predominant rating category definition.
59. Schedule 1 of this policy, Rating Maps defines the BID Commercial General rate area, and is used to set the BID targeted rate and the Central City targeted rate.

Separately used or inhabited parts (SUIP)

60. The Council has elected to assess its UAGC and other fixed amount rates based on SUIP.
61. The Council defines SUIPs in the Funding Impact Statement in its Annual Plan or 10-Year Plans. That definition only applies to the rating year of the Funding Impact Statement.

Divisions

62. The Council has elected to undertake the division of rating units, where different parts of a rating unit are included in different differential categories, or part of the rating unit is non-rateable (under Schedule 1 of the LGRA), or a remission or postponement applies.
63. A division is the separation of a property record within the RID into two or more parts. A division is done only for the purpose of assessing rates correctly.
64. Where a division is required, the Council determines the area of the property put to each use and requests its valuation service provider to value the parts of the property.
65. Each part will be deemed a SUIP for the purposes of assessing rates.
66. Often as part of a subdivision and development, part of the developed land may be intended to be vested in Council, which occurs when new titles are issued, and is generally upon completion of subdivision works. When assigning differential categories of a rating unit, where subdivision has not been completed (therefore new titles have not yet been issued), divisions will not be undertaken, as this is simply deemed as part of the process of developing land.

Rates payable by instalments

67. The Council provides for rates to be payable in four equal instalments. In addition to quarterly, a ratepayer may elect to pay weekly, fortnightly or monthly. Direct debits are available as a payment method over these frequencies. Additionally, payments may be made via the internet or in person at the Council's offices.
68. Cheque payments are also accepted when mailed with the remittance slip in the freepost envelope provided with the invoice.
69. Any payments received for rates are applied to the oldest debt first.

Minimum economic rate

70. The Council will not collect the rates payable on a rating unit if the sum of those rates is so small as to be uneconomic to collect. The Council has determined it is uneconomic to collect rates owing on any rating unit of less than \$25.00 (including GST) per annum.

Rates penalties

71. The Council sets penalties for overdue rates as part of its rates resolution.
72. Generally, the Council adopts the following penalties regime:
 - a. a 10% penalty is applied on the next working day to any balance of any instalment not paid by due date
 - b. a 10% penalty is added to any balance unpaid from previous years. This is added on 1 July of each year, or five working days after the Council has passed the rates resolution (whichever is the later)
 - c. A further 10% penalty will be added to rates unpaid from previous years. This will be added six months after the penalty made in (b) above
73. Any payments received for rates are applied to the oldest debt first.

Three-yearly revaluations of property values

74. Council has chosen to revalue every rating unit every three years, the maximum timeframe allowed by the Rating Valuations Act 1998.
75. The next revaluation is to be undertaken this year (and values will be as at 1 September 2018) and these values will be used for setting rates from 2019/20.
76. The revaluation may affect the amount of rates assessed against individual rating units relative to other rating units.

Calculating differentials following revaluation

77. In year one of the 10-year Plan rates will be in set in accordance with the decisions made by the Council.
78. 2019/20 is the first year where rates will be set and assessed using the 2018 revaluations.
79. In 2019/20 the differential factor for both the General and Transitional rates will be adjusted to maintain the differential yield of the rating sectors from the previous rating year (for existing ratepayers). An adjustment may be made for rates growth occurring in 2018/19 within each sector.
80. For the year 2020/21 it is intended the combination of the General rate and UAGC will be adjusted by the budgeted rate increase as determined within the Annual Plan.
81. To ensure all existing properties within the rating sectors uniformly increase at the percentage adopted by the Council; the General rate and UAGC will increase by the same percentage. The intention is this provides certainty to existing ratepayers. This excludes other sector specific targeted rates.

Existing ratepayers

82. The Council defines existing ratepayers where a rating unit is assessed in the current year, and where there has been no change to rating category, the number of SUIPs, or rating valuation (except as a direct result of the city-wide revaluation).
83. In 2018/19, as a consequence of changes to rates, utility networks and properties previously rated as Rural (now Other) are excluded as existing ratepayers. This is to ensure there is the intended distribution of changes across the sectors, due to maintaining the sector yield

differential as part of the general rate transition from land value to capital value, and increasing the Other general rate differential factor.

Rating growth

84. Rating growth has been forecast using calculations based on National Institute of Demographic and Economic Analysis (NIDEA) Low population projections. Rating growth forecasting considers the expected increase in the number of rating units, SUIPs and increase in total capital and land value, which is as a result of subdivision and other consented works such as new builds, additions etc.
85. Growth forecasting will be reviewed each year factoring in the actual results from the year prior.

Public availability of information

86. The RID is available for public inspection at the Council's Municipal Building during business hours.
87. Limited rating information is also available to view on the Council's website.
88. The Council reserves the right to charge a fee for supplying any person with a copy of information from the RID.

Objections and disputes

89. The LGRA provides certain rights of objection to the information contained in the RID. Any objections to the allocation of property use to the Council differential categories are to be made to the Council's Rates and Revenue Manager for consideration.

References

- Funding Needs Analysis, section 101(3), provides the background and analysis to explain the funding decisions made by the Council. It is guided by the funding principles and choices of funding sources documented in the Revenue and Financing Policy.
- The Revenue and Financing Policy states the Council's policies regarding funding operating and capital expenditure and shows how the Council has complied with section 101(3).
- The Funding Impact Statement is included in each 10-year Plan and Annual Plan as required by clauses 15 or 20 of schedule 10 of the LGA. It shows the results of the detailed rates calculation for the first year of the plan.
- The Rates Remissions and Postponements Policy provides information on rates that are remitted or postponed implementing policy objectives affecting the liability for rates a rating unit has.

Schedule One – Rating Maps

Business Improvement District (BID) and Central City Rating areas

This map defines the rating area for the purpose of setting the BID Commercial general rate, BID Commercial targeted rates and Central City targeted rate.

