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Sponsor/Group:	General Manager Business Services

Rating Policy

Ko te Puutaketanga Purpose

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. Provide Council rates staff with a framework in which to operate, in accordance with the intentions and decisions of Elected Members.
3. To provide ratepayers with a transparent overview of Council's application of rates.

Ko te Whaanuitanga Scope

4. ~~This Policy is to be read in conjunction with the Revenue and Financing Policy, Rates Remissions and Postponements Policy, and Funding Impact Statement. This Policy applies to all land contained within the operative Hamilton City Council boundary.~~
5. ~~This Policy is to be read in conjunction with the Revenue and Financing Policy, Rates Remissions and Postponements Policy, and Funding Impact Statement.~~
- 5-6. 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 Long-Term Plan);
 - c. adopt a Funding Impact Statement (see either an Annual or Long-Term Plan);
 - d. adopt an Annual or Long-Term Plan;
 - e. adopt a rates resolution consistent with everything above.

Ko nga Whakamaaramatanga Definitions

<u>Term</u>	<u>Definition in this Policy</u>
<u>Revenue and Financing Policy</u>	<u>The Revenue and Financing Policy sets out how the Council will fund its operating and capital expenditure for each activity.</u>
<u>Funding Needs Analysis</u>	<u>The Funding Needs Analysis provides the background and analysis to explain the funding decisions made by Council. It is guided by the funding principles and choices of funding sources documented in the Revenue and Financing Policy and Council's Financial Strategy.</u>
<u>Council Funding Impact Statement</u>	<u>The Council Funding Impact Statement is included in each Long-Term Plan and Annual Plan as required by clauses 15 or 20 of schedule 10 of the LGA. It provides detailed rates information for the first year of the plan.</u>
<u>Rates Remissions and Postponements</u>	<u>The Rates Remissions and Postponements Policy provides criteria on specific situations where rates remissions may be applied, or where rates may be postponed, affecting the liability of rates for a specific rating unit.</u>

<u>Policy</u>	
<u>Ratepayer</u>	<u>The person or persons identified in our rating information database as the person liable for rates.</u>
<u>BID</u>	<u>A Business Improvement District (BID) is the defined area for where the BID rate is applied, in conjunction with the BID Policy. Also used to define the Central City rate area. The map is included within this document.</u>
<u>UAGC</u>	<u>A Uniform Annual General Charge (UAGC) is a fixed rate, set on all rateable property in the same way, based on the number of Separately Used or inhabited parts (SUIPs) of the rating unit.</u>
<u>SUIP</u>	<u>A Separately use or Inhabited Part (SUIP) is defined within Councils Funding Impact Statement.</u>

Ko ngaa Tikanga Whakahaere Kaupapahere Principles of Policy

7. That Council has a rating system which:
 - a. appropriately spreads the incidence of rates;
 - b. provides sufficient revenue to cover costs;
 - c. complies with relevant legislation; and
 - d. is transparent to the ratepayer and promotes accountability.

Ko ngaa Tikanga Policy

Policy

Material Changes

8. 2021/222024/25 represents the first year of the ~~20241-341~~ Long-Term Plan.
9. Council faces significant funding challenges over the term of the long-term plan. The Council's rating system has been considered on the basis that with the intention that it represents the most appropriate rates options to address the present and future needs of the city, and with the intention that there will be further review outside of the Long-Term Plan process.
- ~~6. —~~
- ~~7. — A new targeted rate, the Government compliance rate, has been introduced for 2021/22 onwards. This rate will fund increasing costs in our water services as well as the District Plan review.~~
- ~~8. — The Hamilton Gardens targeted rate will cease from 1 July 2021.~~
10. The Business Improvement District (BID) Commercial differential (general rate and Government compliance rate) is set for commercial properties in the CBD (as defined on the Central City and BID area map). For 2023/24 this differential was 95% of the Commercial rate. The BID Commercial differential is to be phased out over a three-year period.
 - for 2024/25 the BID Commercial rate will be 96% of the Commercial rate.
 - for 2025/26 the BID Commercial rate will be 98% of the Commercial rate,
 - for 2026/27 the BID Commercial rate will not be set and commercial properties in the
9. CBD will instead be categorised as Commercial.

11. The Central City targeted rate is being phased out over two years, as below:
- for 2024/25 the total revenue from this rate will reduce to \$72,500 excluding GST, being 50% of the 2023/24 revenue,
 - for 2025/26 the Central City rate will not be set for any properties.
12. The Pool Safety Inspection targeted rate will be introduced for 2024/25 to cover the cost of swimming pool safety inspections, which are required to be carried out every three years.

General rate

10.13. The General rate is set differentially using matters as prescribed in Schedule 2 of the LGRA and as listed in the Funding Impact Statement.

11.14. The LGRA Schedule 2 allows councils to set a ~~General~~general rate based on each of these matters.

General rate differentials

12.15. Rating units assessed for the General rate are categorised into one of four differential categories:

- Commercial
- BID Commercial
- Other
- Residential

13.16. These differential categories are defined in Council's Funding Impact Statement.

Intention of the General rate category definitions and guidelines

14.17. 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 in accordance with the District Plan.

15.18. The General rate for the Commercial and BID Commercial rating categories does not include recovery of costs for the provision of water and refuse collection.

16.19. The Other rating category is for those rating units which would otherwise meet the definition of Residential but where Council's water (ordinary supply) and wastewater networks are not available for connection. Properties in the Other rating category will usually receive water by meter (restricted flow supply).

17.20. Primarily the Other rating category is land which is zoned to allow for future development. Often this land is used for lifestyle or rural purposes.

18.21. The Residential rating category incorporates all rating units that are used for residential purposes, specifically those not allocated to the Commercial, BID Commercial, or Other categories.

19.22. Properties in the Residential rating category are usually connected to Council's water network (ordinary supply), wastewater network, and receive a refuse collection (except in the CBD).

20.23. An allocation for stormwater is incorporated as part of the General rate within all General rate 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.

~~21-24.~~ The water services funded by the new Government compliance rate are considered to provide city-wide benefit relating to the three-waters network and are not specific to the provision of service to an individual property.

~~22-25.~~ Where the Rating Information Database (RID) identifies that a rating unit has more than one SUIP this does not imply that the rating unit is entitled to more than one supply of any service.

Differential category rate calculations

~~23-26.~~ A fixed allocation of general rates between rating sectors was determined as part of the 2014/15 rating review, at which time Council adopted to transition the General rate basis from Land Value to Capital Value.

~~24-27.~~ As part of the 2018-28 10-Year Plan the fixed percentage allocation of general rates by sector was removed to ensure that all rates growth resulted in additional revenue. The overall percentage yield of each sector will now change each year as the total capital value of each sector changes over time.

~~25-28.~~ From 2021/22 the total amount of the General rate, the Uniform Annual General Charge (UAGC), and Government compliance rate ~~will has been be~~ increased by Council's annual rates increase for existing properties.

~~26.—~~ For the purposes of the allocation, the BID Commercial rating category ~~(where the General 27-29. rate is set at 95% of the Commercial rate)~~ is included within the Commercial rating sector, for the period where this differential is in place.

~~28-30.~~ For the Other rating ~~categorycategory,~~ 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. This is currently set at 74% of the Residential rate.

Uniform Annual General Charge (UAGC)

~~29-31.~~ A UAGC 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.~~

~~30-32.~~ The UAGC is not directly allocated to any Council activities or services and is not adjusted where any service, including water, wastewater, or refuse is not provided.

~~31.—~~ Currently, Council intends that the UAGC will increase each year by the same percentage as Council's annual rates increase, to ensure that the publicised rates increase is consistent for most ratepayers. -

~~32-33.~~

Targeted rates

Government compliance

~~33-34.~~ 2021/22 ~~sees saw~~ the introduction of the Government compliance targeted rate, ~~a new targeted rate.~~

~~34-35.~~ This rate ~~was introduced to will~~ fund the increasing costs in ~~our~~ water services as well as the cost of changing our District Plan as a result of legislation introduced by central government.

~~35.—~~ ~~The intention is that the Government compliance rate will fund the increasing water services costs (from base 2020/21) indefinitely, pending the outcome of the three waters reform.~~

~~36. —Currently, Council intends that the costs relating to the District Plan review will be included within this targeted rate for a period of five years.~~

~~37.~~36. When implemented ~~it it was~~ ~~ts~~ the Elected Members' intention that the separation of these activities into a targeted rate ~~will~~ would have no material impacts to the allocation of rates between rating sectors. ~~i.e.i.e.~~, individual ratepayers would pay approximately the same amount as if these costs formed part of the General rate.

~~38.~~37. As such, this rate ~~is to be~~ was applied to all rateable land and will be differentiated on the basis of capital value in the same way as the General rate (~~i.e.i.e.~~ same differential categories and factors).

~~39.~~38. Compliance requirements continue to be a growing component of Council activities.

~~40.~~39. Council may consider including additional compliance related costs within this rate as a way to show transparency to ratepayers where additional compliance requirements are imposed upon Council.

Business Improvement District (BID)

~~40.~~ The BID targeted rates are set in conjunction with the BID Policy.

41. 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 to achieve the total amount sought to be raised.

~~42.~~ —The targeted rate is adjusted each year as specified within the BID policy, annually by the inflation rate for operating expenses adopted

~~43.~~42. by Council.

~~44.~~43. The BID and Central City map is shown on Schedule 1 of this policy Rating Maps.

~~45.~~44. The purpose of this rate is to support the central city development as is defined within the BID Policy.

Central City

~~46.~~45. 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.

~~47.~~46. The BID and Central City map is shown on Schedule 1 of this policy, Rating Maps.

~~47.~~ This rate provides funding to the Transportation Network activity.

48. 2024/25 is the final year of this rate.

Service Use Category

49. 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.

50. 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

51. 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 Council's Community Occupancy Policy.
52. Upon application, Council extends the rating treatment of the Service Use Category to rating units which are operated by not-for-profit organisations, which provide benefits to the wider community and where there is no private pecuniary gain. Refer to the Rates Remissions and Postponements Policy for criteria.
53. 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.
54. ~~This rate is calculated with the intention that in years two and three it will increase by the same percentage as Council's annual rates increase~~The rate may be calculated in a way to reduce significant fluctuation from year to year.
55. 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.
56. The targeted rates for the provision of Wastewater are calculated based on the net costs to Council to provide the ~~service, and~~service and are set as a rate in the dollar using both the Land Value and Capital Value of the rating unit.
57. Using the combination of Land Value and Capital Value has regard to the variety of property types, and large range of rateable values.
58. Wastewater costs are increasing significantly over the period of the Long-Term Plan.
59. ~~The rate may be calculated in a way to reduce significant fluctuation from year to year. This rate is calculated with the intention that in years two and three it will increase by the same percentage as Council's annual rates increase.~~

Metered Water Rate

60. 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).
61. This is calculated based on the average cost to produce 1000 litres of water.

Commercial and Other Category Non-Metered Water

62. 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.
63. 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.
This is calculated based on applying the metered water rate to an average annual consumption of 240 kilolitres.

Pool Safety Inspection

64. This rate is to be introduced in 2024/25.
65. Pools are required to be inspected for safety compliance every three years.

66. Properties identified by Council's Regulatory Services Unit that require this inspection within the three-year cycle will be charged this targeted rate.
67. The total revenue from this targeted rate will be set annually at an amount required to fund the annual costs to Council to carry out these inspections (based on one inspection per property).
68. The rate per property will be calculated from the total annual revenue requirement, divided by the number of properties on the inspection schedule, where this rate can be applied.
69. Where additional inspections are required (for example where the pool failed its compliance check), these will also be invoiced separately by the Regulatory Services Unit.
70. Where it is identified that the property no longer requires the pool compliance inspection (for example where the pool has been removed), the targeted rate will no longer be charged on the rating unit, from the following rating year (i.e., rates will not be adjusted during a rating year).
71. In some cases, there are properties that may not be able to be charged this targeted rate (for example any properties which fall under schedule 1 of the LGRA). In these cases, inspections will be invoiced separately.

Sporting and Cultural (50% non-rateable)

- 64-72. 50% non-rateable status is applied to those ratepayers as defined under Schedule 1, Part 2 of the Local Government (Rating) Act 2002.
- 65-73. Council assesses the Sporting / Cultural rate as 50% of the Residential General rate, Transitional rate, UAGC and Hamilton Gardens rate.
- 66-74. This represents a rates contribution from Sporting and Cultural groups as required under the Local Government (Rating) Act 2002.
- 67-75. Sporting and Cultural groups do not receive a Council refuse collection, as this service is intended for residential households.
- 68-76. 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.

Calculating core service remissions

69-77. Where Council is unable to provide to a property any of the following core services:

- connection to Council's water network; or
- connection to Council's wastewater network; or
- rubbish and recycling collection; and

where that service is funded by the general rate set for the property, a remission for this service will be applied upon application.

70-78. The amount of remission to be applied will be determined by an allocation of rates from Council's Long-Term Plan Funding Impact Statements.

Rates based on location

79. Council has established ~~two~~ targeted rates based on the location of a rating unit. This

includes the Central City rate, which is being phased out from 2025/26.

71-80. Rating boundaries have been drawn with the intention of encompassing entire rating units.

72-81. Should a boundary split a rating unit, Council will rate the property based on the predominant rating category definition.

73-82. 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)

74-83. Council has elected to assess its UAGC and other fixed amount rates based on SUIP.

75-84. Council defines SUIPs in the Funding Impact Statement in its Annual Plan or Long-Term Plan. That definition only applies to the rating year of the Funding Impact Statement.

Residential short-term accommodation

76-85. Hamilton is experiencing an increase in purpose-built short-term accommodation, allowed for in zones other than 'Visitor Accommodation'.

77-86. The Visitor Accommodation zone specifies the maximum length of stay.

78-87. Maximum length of stay can also be restricted based on the conditions of a land-use consent.

79-88. Council's Commercial rating category includes residential accommodation where the average length of stay is 90 days or fewer.

80-89. Where Council believes that a property is used for short-term accommodation (for example, where it is advertised on a nightly or short-term rate) and is not otherwise designated via the zoning, nor consent, Commercial rates will apply.

81-90. The property owner will be required to supply history/evidence of length of stay if they believe their rates have been assessed incorrectly.

Divisions

82-91. 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.

83-92. 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.

84-93. Where a division is required, Council determines the area of the property put to each use and requests its valuation service provider to value the parts of the property.

85-94. Each part will be deemed a SUIP for the purposes of assessing rates.

86-95. 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

~~87.96.~~ 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.~~ pay at an a more regular frequency via direct debits are available as a payment method over these frequencies. Additionally, payments may be made online; via ~~the internet~~ the Council's website; ~~or~~ or in person at Council's offices and at Te Kete Aronui Rototuna Library. -

~~88.~~ ~~Cheque payments are being phased out as banks are removing this as a payment option.~~

~~89.97.~~ Any payments received for rates are applied to the oldest debt first.

Minimum economic rate

~~90.98.~~ 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. 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

~~91.99.~~ Council sets penalties for overdue rates as part of its rates resolution.

~~92.100.~~ Generally, 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~~ 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 ~~Council has passed the rates resolution~~ (whichever is the later).

~~101.~~ 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.

~~93.102.~~ Penalties for unpaid water by meter invoices may also be applied, as set out within the Rates Resolution.

~~94.103.~~ Any payments received for rates are applied to the oldest debt first.

Three yearly revaluations of property values

~~95.~~ ~~Council has chosen to revalue every rating unit every three years, the maximum timeframe allowed by the Rating Valuations Act 1998.~~

~~96.~~ ~~The next revaluation is to be undertaken this year where values will be based as at 1 September 2021.~~

~~97.~~ ~~These values will be used for setting rates from 2022/23.~~

~~98.~~ ~~The revaluation may affect the amount of rates assessed against individual rating units relative to other rating units.~~

Calculating differentials following revaluation

~~99.~~ ~~2022/23 is the first year where rates will be set and assessed using 2021 rating valuations.~~

~~100.~~ ~~In 2022/23 the differential factor for the General rate and Government compliance rate 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 2021/22 within each sector.~~

Existing ratepayers

104. Council determines its annual rates increases in respect of existing ratepayers. Council defines an existing ratepayer as any rating unit that has been assessed for rates in the current year, and where there has been no change to the rating unit, since rates were set, of any category or factor on which rates were set.

105. This includes:

- rating category, and/or,
- the number of SUIPs, and/or,
- rating valuation (except as a direct result of the city-wide revaluation).

Rating growth

~~104.~~106. Rating growth has been forecast using calculations based on National Institute of Demographic and Economic Analysis (NIDEA) ~~low-high~~ population projections. Rating growth forecasting considers the expected increase in the number of rating units, SUIPs, and total capital and land value, which may result from subdivision and construction works.

107. Growth forecasting will be reviewed each year factoring in the actual results from the year prior.

Three-yearly revaluations of property values

108. Council has chosen to revalue every rating unit every three years, the maximum timeframe allowed by the Rating Valuations Act 1998.

109. The next revaluation is to be undertaken this year where values will be based as at 1 August 2024.

110. These values will be used for setting rates from 2025/26.

111. The revaluation may affect the amount of rates assessed against individual rating units relative to other rating units.

Calculating differentials following revaluation

112. 2025/26 is the first year where rates will be set and assessed using 2024 rating valuations.

113. Traditionally, the differential factor for the General rate and Government compliance rate would be adjusted to maintain the differential yield of the rating sectors (from the previous rating year (for existing ratepayers). This means that a revaluation does not cause significant swings between rating sectors.

114. Rating growth is independent to this calculation and may then impact the total sector yield.

115. The intention for 2025/26 to maintain this approach, however this may be dependent upon any outcomes resulting from any separate rating review.

Rates Debt Recovery

116. Rates are set to enable Council to provide services to the community. Cashflow plays an important role in our day-to-day operations.
117. Where rates remain unpaid, Council follow the provisions for recovery as set out within the Local Government (Rating) Act 2002.
118. Council may engage an external collection agency to recover unpaid rates on its behalf.
119. This may include a legal process where applicable.
120. Council will seek reimbursement from the ratepayer of costs associated with any legal action relating to unpaid rates.

Public availability of information

- 102.121. The rating information database (RID) is available for public inspection at Council's offices during business hours. Limited rating information is also available to view on Council's website.
- 103.122. Council reserves the right to charge a fee for supplying any person with a copy of information from the RID.

Objections and disputes

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

Ko te Aroturukitanga me te Whakatinanatanga Monitoring and Implementation

124. Implementation of this policy is delegated to, and will be monitored by, the Chief Executive and General Manager Business Services.
125. The Chief Executive and General Manager Business Services are authorised to delegate decision making and set appropriate financial limits to staff.
126. The policy will be reviewed in response to any issues that may arise, every three years, at the request of Council as part of a long-term planning process or in response to changed legislative and statutory requirements (whichever occurs first).

Ko ngaa Tohutoro References

- Local Government Act 2002
- Local Government (Rating) Act 2002
- Funding Needs Analysis
- Funding Impact Statement
- Revenue and Financing Policy
- Rates Remissions and Postponements Policy

References

- ~~Funding Needs Analysis, section 101(3), provides the background and analysis to explain the funding decisions made by 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 Council's policies regarding funding operating and capital expenditure and shows how Council has complied with section 101(3).~~
- ~~The Funding Impact Statement is included in each Long-Term 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.

