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RATING POLICY

Policy objectives and scope

1. The setting of rates is a complex process. Council must comply with the requirements of the Local Government Act 2002 (LGA) and the Local Government (Rating) Act 2002 (LGRA).
2. In doing so, Council must produce the following in order to set a lawful rate.
 - Have completed a s.101(3) analysis (see Funding Needs Analysis).
 - Adopted a Revenue and Financing Policy (see the Long-term Plan).
 - Adopted a Funding Impact Statement (see either an Annual or Long-term Plan).
 - Adopted a Rates Remissions and Postponements Policy.
 - Adopt an Annual or Long-term Plan.
 - Adopt a rates resolution, consistent with everything above.
3. In order to assist with this process Council has developed a number of policies that contribute to the rates system being clear and understandable. These are included in this rating policy.

Policy

Description of Differentials

4. The following rates are rated differentially based on the use to which the land is put.
 - General rate
 - Transitional rate
5. The LGRA Schedule 2 allows councils to rate based on the use to which the land is put. Each Council is able to define that use and rate based on that use. A property may be described under different rates as having different uses.
6. All references to residential, commercial, BID commercial and rural uses in targeted rates (except the transitional rate) use the general rate definitions.

General Rate Differentials

7. The general rate is differentiated into four rating categories:
 - Residential
 - Commercial
 - BID Commercial
 - Rural

8. These land uses are defined as follows:

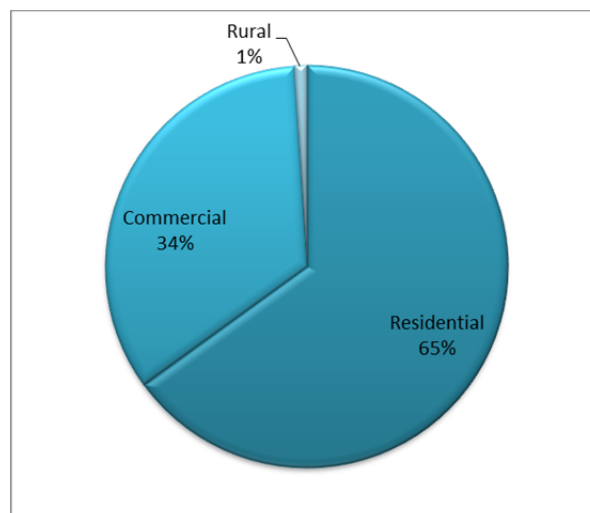
Table 1: General Rate Rating Categories

General Rate Category	Description
Residential	<p>All rating units:</p> <ul style="list-style-type: none"> i. Used solely or principally for residential purposes and don't meet the definition of commercial or rural; or ii. Land under development for a residential subdivision and no longer used principally for rural purposes or bare land marketed for residential section sales not under development. iii. Vacant land in District Plan residential zones for residential use, any vacant land in other District Plan zones that are predominantly used for residential purposes and any land used for other purpose not specified in the category definitions. iv. Any other rating units which do not meet the rating category description for Commercial, BID Commercial and Rural.
Commercial	<p>All rating units:</p> <ul style="list-style-type: none"> i. Used solely or principally for commercial or industrial purposes; or ii. Used solely or principally for commercial residential purposes, including, but not limited to, hotels, boarding houses, rest homes, show homes, motels, residential clubs, hostels. "Commercial residential purposes" are where a property is being provided for residential accommodation at a fee with the average occupancy period of the property not exceeding three months; or iii. The area of a chartered club used for the restaurant, bar and gaming machines; or i. The commercial portion of the property, which is used for both commercial/residential use, i.e. small business, operated from residential property; or ii. Vacant land located in District Plan; business, central city, knowledge and industrial zones and any vacant land in other District Plan zones that are predominantly used for commercial purposes.
BID Commercial	All rating units that meet the definition of commercial above and are within the Business Improvement District as shown on the map in Appendix Two.
Rural	All rating units more than 2,000 square metres, which are used solely or principally for rural purposes. Rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock.

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9. The allocation of cost to each of these differential categories is as follows:

Figure 1: General Rate Allocation Model



10. For the purpose of the allocation the BID Commercial rating category is included within the commercial rating category.
11. This allocation is based on the allocation of costs to the general rate in 2014/15. Council has selected this as the appropriate model for the allocation of rates by considering the overall impact on rates as a result of the change from the land value general rate to this capital value general rate.
12. Every three years at the time of a revaluation, the differential factor would normally be adjusted to maintain the differential yield of the previous rating year. The next revaluation is 1 September 2015 for the 2016/17 rates. Due to the implementation of a new rates system this does not allow for the normal adjustments to be made. For this reason the ratios applied to 2015/16 will remain for 2016/17.
13. For the years 2017/18 and 2018/19 the differential factors will change based on changes in the use of properties and budgets (e.g. as more rural land is subdivided the share of the rates the rural sector pays will reduce).
14. The model for the general rate allocation between rating categories for 2014/15 was based on the detailed allocation of costs. This included the reduction or removal of some activities from some differential categories where Council had decided the services were not provided (e.g. rural ratepayers allocation is adjusted to recognise they are not receiving full mains water supply and commercial ratepayers do not receive refuse collection services).

Transitional Rate Differentials

15. The transitional rate is differentiated into seven rating categories:
 - Residential
 - Multi-Unit Residential
 - Commercial
 - BID Commercial
 - Rural Residential
 - Rural Small
 - Rural Large
16. Note that in 2014/15 there was a rating category for Inner City Residential. This category existed to reduce the rate for residential properties that did not receive a refuse collection. These properties will now receive a rates remission for this service they do not receive, eliminating the need for a differential category.
17. These land uses are defined as follows:

Table 2: Transitional Rate Rating Categories

Transitional Rate Category	Description
Residential	All rating units: <ol style="list-style-type: none"> i. Used solely or principally for residential purposes and don't meet the definition of commercial or rural; or ii. Land under development for a residential subdivision and no longer used principally for rural purposes or bare land marketed for residential section sales not under development. iii. Vacant land in District Plan residential zones for residential use, any vacant land in other District Plan zones that are predominantly used for residential purposes

	and any land used for other purpose not specified in the category. iv. Any other rating units which do not meet the rating category description for Multi-unit Residential, Commercial, BID Commercial, Rural Residential, Rural Small Holdings and Rural Large Holdings.
Multi-unit Residential	All rating units used solely or principally for three or more residential dwellings/households on a single title including residential centres, but excluding properties categorised as Commercial.
Commercial	All rating units: iv. Used solely or principally for commercial or industrial purposes; or v. Used solely or principally for commercial residential purposes, including, but not limited to, hotels, boarding houses, rest homes, show homes, motels, residential clubs, hostels. “Commercial residential purposes” are where a property is being provided for residential accommodation at a fee with the average occupancy period of the property not exceeding three months. Hostel is the residence or lodging place for persons.; or vi. The area of a chartered club used for the restaurant, bar and gaming machines; or iii. The commercial portion of the property, which is used for both commercial/ residential use, i.e. small business, operated from residential property; or iv. Vacant land in District Plan business, central city, knowledge and industrial zones and any vacant land in other District Plan zones that are predominantly used for commercial purposes.
BID Commercial	All rating units that meet the definition of commercial above and are within the Business Improvement District as shown on the map in Appendix Two.
Rural Residential	All rating units more than 2,000 square metres, used solely or principally for residential purposes as the home or residence of not more than two households which receive full water and wastewater services from the Council.
Rural Small Holding	All rating units more than 2,000 square metres and less than 10 hectares, which are used solely or principally for rural purposes. Rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock.
Rural Large Holding	All rating units 10ha and more, which are used solely or principally for rural purposes. Rural purposes include agricultural, horticultural or pastoral purposes and the keeping of bees or poultry or other livestock.

18. The allocation of cost to each of these differential categories is as follows:

Table 3: Transitional Rate Allocation Model

Transitional Rate Category	Allocation of Cost
Residential	63.2%
Multi-unit residential	1.7%
Commercial	33.9%
Rural Residential	0.1%
Rural Small Holding	0.8%
Rural Large Holding	0.3%

19. For the purpose of the allocation the BID Commercial rating category is included within the commercial rating category. This has the effect of any loss in revenue from a reduced BID area general rate factor remaining allocated within the commercial sector.

20. This allocation is based on the allocation of costs to the general rate in 2014/15 and applies to the transitional rate. The model for the general rate allocation between rating categories for 2014/15 was based on the detailed allocation of costs. This included the reduction or removal of some activities from some differential factors where Council had decided the services were not provided (e.g. rural ratepayers allocation is adjusted to recognise they are not receiving water supply and commercial ratepayers are not receive refuse collection services).
21. Every three years at the time of a revaluation, the differential factor would normally be adjusted to maintain the differential yield of the previous rating year. The next revaluation is 1 September 2015 for the 2016/17 rates. Due to the implementation of a new rates system this does not allow for the normal adjustments to be made. For this reason the ratios applied to 2015/16 will remain for 2016/17.
22. For the years 2017/18 and 2018/19 the differential factors will change based on changes in the use of properties and budgets (e.g. as more rural land is subdivided the share of the rates the rural sector pays will reduce).

Targeted Rates - Services Category

23. Services category of ratepayers are a group of ratepayers that are defined by the use the rating unit is put for the purpose of charging water, sewerage and refuse collection targeted rates.
24. Services category rating units are defines as rating units that are provided with one or more of water, sewerage or refuse collection services and are used:
 - As a reserve under the Reserves Act 1977.
 - For conservation, wildlife management or preservation purposes and not for private pecuniary profit and accessible to the public.
 - By council for:
 - Public garden, reserve, or children playground.
 - Games and sports.
 - Public hall, athenaeum, museum, gallery or similar institution.
 - Public baths, swimming baths and sanitary conveniences.
 - Cemeteries or crematorium.
 - By the Queen Elizabeth the Second National Trust
 - By the Royal Foundation of the Blind, except as an endowment.
 - By or for an education establishment, special school or other institution under s159(1) of the Education Act 1989.
 - By a district health board for health and health related services.
 - Solely and principally as a place of religious worship, Sunday or Sabbath school or other form of religious worship and not for private pecuniary profit.
 - As Maori meeting house that is Maori freehold land not exceeding 2ha.
 - As railway or for the loading and unloading of goods or passengers from trains.
 - For the free maintenance or relief of persons in need, not exceeding 1.5 hectares.
25. For guidance on interpretation of these categories of use Council will look towards Schedule 1 of the Local Government (Rating) Act 2002.

Rates based on location

26. Council has established one rate based on the location of a rating unit. Rating boundaries have been drawn with the intention of going around whole rating units. Should a boundary split a rating unit Council will rate the property based on the predominate use of the property.
27. The Business Improvement District map is shown in Schedule 1. and is used for the General, Transitional and BID rates.

Separately Used and Inhabited parts

28. Council has elected to rate all fixed rates on the basis of separately used or inhabited parts of a rating unit.
29. Council must define the term in its funding impact statement in each Annual Plan or Long-term Plan.

Divisions

30. A division is the separation of parts of a property record in the District Valuation Roll (DVR) into two or more parts in the Rating Information Database (RID). A division is done only for the purpose of charging the correct rates liability according to the properties use.
31. Council has elected to undertake the division of properties, where there are two or more uses (being the rating categories, or as non-rateable or 50% non-rateable properties).
32. Where a division is required Council measures the area of the property applied to each use and requests its valuer to apportion the values of the DVR to these portions.
33. Where a division is not required rates based on use or location shall be calculated on a properties predominant use.

Rates Payable by Instalments

34. Council provides for rates to be paid in four equal instalments. A ratepayer may elect to pay weekly, fortnightly, monthly by automatic payment through the banking system. Rates can also be paid by direct debit (weekly fortnightly, monthly or quarterly), internet and other banking methods.
35. Any payments received for rates are applied to the oldest debt first.

Minimum Economic Rate

36. 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 that it is uneconomic to collect rates owing on any rating unit of less than \$20.00 (including GST) per annum.

Rates Penalties

37. Council must set its rates penalties as part of its rates resolution.
38. Generally Council will resolve the following penalties:
 - A 10% penalty is added on the next business day to any balance of any instalment not paid by due date.
 - A 10% penalty will be added to any balance that remains unpaid from previous years. This will be added on 1 July of each year, or 5 working days after Council has passed the rates resolution (whichever is the later).

- A further 10% penalty will be added to rates that remain unpaid from previous years. This will be added 6 months after the penalty made in 2 above.

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

Three Yearly Revaluations of Property Values

40. Council has chosen to revalue rateable property values of properties every three years, the maximum timeframe allowed by the Rating Valuations Act 1998. The next revaluation is as of 1 September 2015 for effect in the 2016/17 rating year.
41. The revaluation may affect the amounts assessed against individual rating units within each differential rating sector relative to other rating units in that sector.

Public Availability of Information

42. Council may charge a fee for supplying any person with a copy of information from the rating information database.

Objections and Disputes

43. The Local Government (Rating) Act 2002 provides for the right of objection to Council's implementation of their rating policies. Any objections to the allocation of property use to the council differential categories needs to be in writing to the Revenue Manager for consideration.

References

44. 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.
45. The Revenue and Financing Policy further clarifies the funding requirements of Council.
46. The Funding Impact Statement is included in each Long-term Plan and Annual Plan as required by clauses 15 or 20 of schedule 10. That statement shows the results of the detailed rates calculation for the first year of the plan.
47. The Rate Remissions and Postponements Policy provides information on rates that are reduced to implement policy objectives that affect the overall liability for rates a property has. It also provides options for individuals to postpone rates in particular specified circumstances.

Schedule 1: Rating Maps



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