

SOUTH WAIRARAPA DISTRICT COUNCIL

21 FEBRUARY 2018

AGENDA ITEM C4

REVIEW RATES POLICIES

Purpose of Report

To inform councillors of the recent review of the Postponement of Rates Policy (M1200) and the Remission of Rates on Maori Freehold Land Policy (M800).

Recommendations

Officers recommend that the Council:

1. *Receive the Review of Rates Policies Report.*
2. *Approve the amendments to the Postponement of Rates Policy (M1200).*
3. *Approve the amendments to the Remission of Rates on Maori Freehold Land Policy (M800).*
4. *Agree the next review date for these policies should be June 2021.*

1. Executive Summary

The following policies have been reviewed as part of the Long Term Plan process:

- Postponement of rates Policy – M1200
- Remission of rates on Maori freehold land Policy – M800

2. Background

Officers have now reviewed Policy numbers M1200 and M800.

The policies have been reviewed by the Audit and risk working party at their meeting on 24 January 2018.

3. Discussion

Officers have reviewed the Postponement of rates Policy and Remission of Rates on Maori Freehold Land Policy. These changes have been approved by the Audit and Risk Working Party and Long Term Plan Working Party and the changes show as tracked changes in the attached documents in Appendix 1 to 2.

4. Conclusion

The policies listed has been reviewed and updated.

They are now submitted to Council for their review and approval.

5. Appendices

Appendix 1 - Postponement of Rates Policy (M1200)

Appendix 2 - Remission of Rates on Maori Freehold Land Policy (M800)

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Appendix 1 - Postponement of Rates Policy (M1200)



POSTPONEMENT OF RATES POLICIES

1. Introduction

These policies are prepared under section 110 of the Local Government Act 2002.

2. Extreme Financial Circumstances

2.1 Objective

- To assist ratepayers experiencing extreme financial circumstances which affects their ability to pay rates.

2.2 Criteria and Conditions

- Council will consider, on a case by case basis, all applications received that meet the criteria listed below.

2.3 Criteria

1. The ratepayer(s) is unlikely to have sufficient funds left over, after the payment of rates, for normal health care, proper provision of maintenance of the home and chattels at an adequate standard as well as making provision for normal day to day living expenses.
2. The ratepayer(s) must be the current owner of the rating unit and have owned or resided on the property or within the District for not less than five years.
3. The rating unit must be used solely for residential purposes and the ratepayer(s) must reside on the property.
4. The ratepayer(s) must not own any other rating units or investment properties, whether in this District or another.

2.4 Conditions

1. Application must be in writing by the ratepayer(s) or by an authorised agent.
2. The ratepayer(s) is required to disclose to Council, all personal circumstances, including the following factors: age, physical or mental disability, injury, illness and family circumstances so that Council can consider these factors to establish whether extreme financial hardship exists.
3. Applications for postponement of rates will only be considered from the beginning of the rating year in which the application is made. ~~If Council decides to postpone rates the ratepayer(s) must first enter into an agreement with Council to make regular payments for future rates.~~
- ~~4.~~ Council will charge a postponement fee on the postponed rates for the period between the due date and the date they are paid. This fee is designed to cover the
 4. Council's administrative and financial costs and may vary from year to year. ~~Fees are outlined in the Annual Schedule of Fees and charges.~~
 5. The financial cost will be the interest Council at the rate of Council's cost of borrowing for funding rates postponed, plus a margin to cover other costs (these will include Council's own in-house costs and a contribution to cover the cost of independent advice).
- ~~5.~~
6. Any postponed rates will be postponed until;
 - a. *the death of the ratepayer(s); or*
 - b. ~~until~~ *the ratepayer(s) ceases to be the owner or occupier of the rating unit; or*
 - c. ~~until~~ *the ratepayer(s) ceases to use the property as their residence; or*
 - d. ~~until~~ *a date specified by the Council as determined by Council in any particular case.*
7. Postponed rates or any part thereof may be paid at any time. The applicant may elect to postpone the payment of a lesser sum than that which they would be entitled to have postponed pursuant to this policy.
8. Postponed rates will be registered as a statutory land charge on the rating unit under the Statutory Land Charges Registration Act 1928 and no dealing with the land may be registered by the ratepayer while the charge is registered except with the consent of Council. This means that Council will have first call on the proceeds of any revenue from the sale of the rating unit.

9.

10. Risk

Council must be satisfied, on reasonable assumptions, that the risk of any shortfall when postponed rates and accrued charges are ultimately paid is negligible. To determine this, the Council uses a model developed by an actuary to forecast, on a case by case basis, expected equity, when repayment falls due. If that is likely to be less than 20%, the Council will offer partial postponement, set at a level expected to result in final equity of not less than 20%.

11. Insurance

The property must be insured for its full value and evidence of this produced annually.

If insurance cannot be arranged because the property is uninsurable, only the land value can be used when calculating maximum postponement allowable.

12. Rates Able to be Postponed

All rates are eligible for postponement except targeted rates for water supplied by volume (water by meter rates)

To protect Council against any suggestion of undue influence, applicants will be asked to obtain advice from an appropriately qualified and trained independent person. A certificate confirming this, will be required before postponement is granted.

2.5 Delegation

Council delegates the authority to approve applications for rate postponement to the Chief Executive Officer.

3. Ratepayers Aged 65 Years and Over

3.1 Objective

To give ratepayers a choice between paying rates now or later subject to the full cost of postponement being met by the ratepayer and Council being satisfied that the risk of loss in any case is minimal.

3.2 General Approach

Only rating units defined as residential and used for personal residential purposes by the applicant(s) as their sole or principal residence will be eligible for consideration of rates postponement under the criteria and conditions of this policy.

Current and all future rates may be postponed indefinitely if at least one ratepayer (or, if the ratepayer is a family trust, at least one named occupier) is 65 years of age or older.

Owners of units in retirement villages will be eligible provided that Council is satisfied payment of postponed rates can be adequately secured.

Council will add to the postponed rates all financial and administrative costs to ensure neutrality as between ratepayers who use the postponement option and those who pay as rates are levied.

Council will establish a reserve fund out of which to meet any shortfall between the net realisation on sale of a property and the amount outstanding for postponed rates and accrued charges, at the time of sale. This will ensure, that neither the ratepayer(s) nor the ratepayer(s)' estate will be liable for any shortfall.

3.3 Criteria

1. *Eligibility*

Any ratepayer aged 65 years or over is eligible for postponement provided that the rating unit is used by the ratepayer as their sole or principal residence. This includes, in the case of a family trust owned property, use by a named individual or couple. Residents of retirement villages who hold an occupation licence will be able to apply for postponement of the rates payable by the retirement village on their unit with the agreement of the owner of the retirement village.

2. *Risk*

Council must be satisfied, on reasonable assumptions, that the risk of any shortfall when postponed rates and accrued charges are ultimately paid is negligible. To determine this, the Council uses a model developed by an actuary to forecast, on a case by case basis, expected equity, when repayment falls due. If that is likely to be less than 20%, the Council will offer partial postponement, set at a level expected to result in final equity of not less than 20%.

~~For prudential reasons, the~~ Council will ~~need to~~ register a statutory land charge against the property to protect its right to recover postponed rates. At present the law does not allow councils to register such a charge against Maori freehold land. Accordingly, Maori freehold land is not eligible for rates postponement (unless and until the law is changed so that the Council can register a statutory land charge).

If the property in respect of which postponement is sought is subject to a mortgage, then the applicant will be required to obtain the mortgagee's consent before the Council will agree to postpone rates.

3. *Insurance*

The property must be insured for its full value and evidence of this produced annually.

If insurance cannot be arranged because the property is uninsurable, only the land value can be used when calculating maximum postponement allowable under subclause 4.

4. *Rates Able to be Postponed*

All rates are eligible for postponement except for:

targeted rates for water supplied by volume (water by meter rates)

~~a lump sum options which are rates paid in advance.~~

3.4 Conditions

Any postponed rates (under this policy) will be postponed until:

1. The death of the ratepayer(s) or named individual or couple, (in this case the council will allow up to 12 months for payment so that there is ample time available to settle the estate or, in the case of a trust owned property, make arrangements for repayment); or
2. The ratepayer(s) or named individual or couple ceases to be the owner or occupier of the rating unit (if the ratepayer sells the property in order to purchase another within the Council's district, Council will consider transferring the outstanding balance, or as much as is needed, to facilitate the purchase, provided it is satisfied that there is adequate security in the new property for eventual repayment); or
- ~~3. If the ratepayer(s) or named individual or couple continue to own the rating unit, but are placed in residential care, Council will consider them to still be occupying the residence for the purpose of determining when postponement ceases and rates are to be paid in full;~~
- ~~4.3.~~ A date specified by Council.

If the ratepayer(s) or named individual or couple continue to own the rating unit, but are placed in residential care, Council will consider them to still be occupying the residence for the purpose of determining when postponement ceases and rates are to be paid in full;

Council will charge an annual fee on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover Council's administrative and financial costs and may vary from year to year.

The financial cost will be the interest Council ~~will incur~~ at the rate of Council's cost of borrowing for funding rates postponed, plus a margin to cover other costs (these will include Council's own in-house costs, ~~a 1% p.a. levy on~~

~~outstanding balances to cover external management and promotion costs, a reserve fund levy of 0.25% p.a., and a contribution to cover the cost of independent advice).~~

To protect Council against any suggestion of undue influence, applicants will be asked to obtain advice from an appropriately qualified and trained independent person. A certificate confirming this, will be required before postponement is granted. ~~Council has made arrangements with a reputable and appropriately qualified non-government organisation to provide this service.~~

The postponed rates or any part thereof may be paid at any time. The applicant may elect to postpone the payment of a lesser sum than that which they would be entitled to have postponed pursuant to this policy. Postponed rates will be registered as a statutory land charge on the rating unit title. This means that Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit.

4. Review of Suspension of Policy

This policy is in place indefinitely and can be reviewed subject to the requirements of the Local Government Act 2002 at any time. Any resulting modifications will not change the entitlement of people already in the scheme to continued postponement of all future rates.

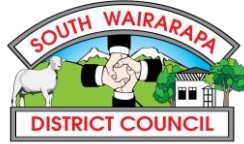
Council reserves the right not to postpone any further rates once the total of postponed rates and accrued charges exceeds 80% of the ratable value of the property as recorded in Council's rating information database. This will require the ratepayer(s) for that property to pay all future rates but will not require any payment in respect of rates postponed up to that time. These will remain due for payment on death or sale.

The policy consciously acknowledges that future changes in policy could include withdrawal of the postponement option.

5. Procedures

~~Applications must be on the required form available from the Council office.~~
The policy will apply from the beginning of the rating year in which the application is made.

Appendix 2 - Remission of Rates on Maori Freehold Land Policy (M800)



REMISSION AND POSTPONEMENT OF RATES ON MAORI FREEHOLD LAND POLICY

1. Objectives

- To recognise that certain Maori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide for relief from rates.
- To recognise that the Council and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectable.
- To meet the requirements of section 102 of the Local Government Act 2002 to have a policy on the remission and postponement of rates on Maori freehold land.

2. Conditions and Criteria

1. Application for remission or postponement under this policy should be made prior to the commencement of the rating year. Applications made after the commencement of the rating year may be accepted at the discretion of the Council. [A separate application must be made for each year.](#)
2. Owners or trustees making application should include the following information in their applications:
 - a. Details of the rating unit or units involved.
 - b. Documentation [\(e.g. a copy of the Certificate of Title\)](#) that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Maori Land Court.
3. The Council may of its own volition investigate and grant remission or postponement of rates on any Maori freehold land in the district.
- ~~4.~~ [Relief, and the extent thereof, is at the sole discretion of the Council and may be cancelled and reduced at any time.](#)
- ~~4.~~
5. Council will give a remission or postponement of up to 100% of all rates for the year for which it is applied [and subsequent years unless the status of the land changes](#) or based on the extent to which the remission or postponement of rates will:

- a. Support the use of the land by the owners for traditional purposes.
- b. Support the relationship of Maori and their cultural traditions with their ancestral lands.
- c. Avoid further alienation of Maori freehold land.
- d. Facilitate any wish of the owners to develop the land for economic use.
- e. Recognise and take account of the presence of waahi tapu that may affect the use of the land for other purposes.
- f. Recognise and take account of the importance of the land for community goals relating to:
 - The preservation of the natural character of the coastal environment.
 - The protection of outstanding natural features.
 - The protection of significant indigenous vegetation and significant habitats of indigenous fauna.
- g. Recognise the level of community services provided to the land and its occupiers.
- h. Recognise matters relating to the physical accessibility of the land.
- i. Provide for an efficient collection of rates and the removal of rating debt.

6. Council may review the status of Maori freehold land from time to time and advise ratepayers of a change in status if it is considered the land no longer meets the criteria for remission of rates.

6-7. Decisions on the remission and postponement of rates on Maori freehold land may be delegated to council officers or a committee of the Council. All delegations will be recorded in the Council's delegation schedule.