

SOUTH WAIRARAPA DISTRICT COUNCIL

29 APRIL 2020

AGENDA ITEM B4

RATES AND OTHER RELIEF IN RESPONSE TO COVID-19

Purpose of Report

To discuss tools available to support ratepayers during the economic uncertainty of Covid-19.

Recommendations

Officers recommend that the Council:

1. Receive the *Rates and Other Relief in Response to Covid-19* Report.

1. Executive Summary

New Zealand is in a pandemic situation, with an unknown medium to long-term impacts on the economy. Government has indicated a sharp recession with unemployment in the double figures within 12 months lasting 1-3 years. It is expected in the short term that the tourism industry, especially those reliant on international tourism, will be impacted most severely, however, there will also be a ripple effect to associated industries and business.

During Level 4 shutdown many businesses will have been unable to operate. It is unknown how quickly, and even if, these businesses will bounce back when the country moves to Level 3 and Level 2. The government has put in place significant support packages to cover salary and wage subsidies, rent freezes, mortgage holidays, and support for small business who can prove loss of revenue. These measures will lessen the financial impacts to business and the economy.

Although no formal analysis has been undertaken in our area it is expected small businesses and people employed in SME's will be hardest hit, along with highly leveraged households.

Over the last two years we have worked hard to get ratepayers' debt under control. As a result, we are in a good position to be able to provide assistance on a case by case basis to meet individual circumstances, and do not intend applying blanket changes to policy. With the urgency of the situation and the requirement to consult on any changes, very few councils are looking to amend their policies.

The options currently available to our council to provide assistance along with approaches being explored by other councils have been outlined in this report.

2. Background

While it is important Council are supporting ratepayers through the effects of Covid-19, Council needs to be mindful of working within the bounds of the Local Government Act 2002. Sections 44 to 46 discuss loss provisions; specifically the implications of councils intentionally or negligently failing to enforce the collection of money it is lawfully entitled to receive, and that the Auditor General may seek to recover any losses.

3. Rates Relief

As set out in the Local Government (Rating) Act 2002, sections 57 and 58, councils can choose, by means of a resolution, to apply penalties to any rates unpaid by the due date. Each year as part of the setting of the rates Council passes a resolution which includes the application of rates penalties. For the 2019/20 rating year the following resolution was passed:

PENALTIES – RATES (excluding water rates)

That the Council delegates authority to the Chief Executive Officer to apply the following penalties on unpaid general rates:

- Under section 57 and 58(1)(a) of the Local Government (Rating) Act 2002, a 10 percent penalty will be added to any portion of the current instalment that remains unpaid after the due date as shown below:
 - 21 August 2019
 - 21 November 2019
 - 21 February 2020
 - 21 May 2020

- Under section 57 and 58(1)(b) of the Local Government (Rating) Act 2002, an additional 10 percent penalty will be added on:
 - 3 July 2019
 - 6 January 2020to any rates remaining unpaid from previous financial years.

Council is required to adhere to the resolution in applying rates and penalties.

As part of section 57, councils are required to have in place Remission of Rates and Rates Postponement policies. The full policies are attached in Appendix 1 and 2.

3.1 Remission of Rates Policy

Ratepayers experiencing financial hardship can apply to have penalties remitted through the Rates Remission Policy. Applications based on hardship are assessed on a case by case basis, however, there is no definition of what constitutes “hardship”.

The current approach by the Rates team is to provide as much assistance as possible through the Rates Remission Policy. The full Rates Remission Policy is attached in Appendix 1. The extract from the policy covering hardship is outlined below:

2.2 Criteria and Conditions

Council will consider each application on its merit and remission may be granted where it is considered that the application meets the following criteria and conditions.

2.3 Conditions and Criteria

Remission of penalty rates will be considered for those ratepayers who due to financial hardship, are in arrears and who have entered into an agreement with Council to repay all outstanding and current rates. This repayment scheme will generally be up to a period of 12 months. Penalty rates remission will not be considered if the agreement plan is not being adhered to, or a prior repayment scheme has not been adhered to.

Where a ratepayer agrees to pay rates by direct debit on a weekly, fortnightly, monthly or quarterly basis, no penalties will be charged if the rates for the financial year have been paid in full prior to 30 June in the rating year.

In summary the policy:

- Covers financial hardship, however, this is not defined.
- Allows the ability to remit penalties if the ratepayer:
 - is in financial hardship and in arrears, and
 - enters into a payment plan to repay all current rates generally within 12 months.
- No penalties will be applied if ratepayers pay by Direct Debit and will pay rates in full by the end of the current rating year.

This is the most commonly used method of providing relief to our ratepayers with a direct debit or payment plan agreed with Officers and in the case of a payment plan signed off by the Chief Financial Officer. There is the ability within the current policy to allow flexibility in developing a payment plan and building in delayed/payment holidays. The intent of the policy is to ensure ratepayers bring rates up to date within 12 months.

Our council is small enough to enable this case by case approach and there is resource capacity within the finance team to allow for this. The Rates Newsletter encourages ratepayers in financial difficulty to contact us as soon as possible so we can discuss payment options with them.

A payment plan delays the receipt of rates which does have a financial impact. If 10% of ratepayers delayed payment for 3 months (one instalment) this would result in a loss of interest income of around \$6,700.

As there is no defined criteria in the policy for “hardship” there is a risk of a significant increase of ratepayers applying for relief through hardship. If this occurred, it would result in a delay in receiving rates but not a loss of rates revenue. If significant enough it could also put pressure on cashflow and result in a loss of interest revenue. As any

changes to policy require consultation and this is considered low risk, we propose to address this as part of the policy review for the Long Term Plan.

3.2 Rates Rebate

As part of the Rates Rebate Act 1973 low income ratepayers may be eligible to apply for a rates rebate. Income is measured for the current financial year with the rebate applied to the next rating year. Ratepayers with the maximum combined income of \$44,000 are eligible to apply for a rebate of up to \$640 per annum. Applications for the 2020/21 financial rating year close 30 June 2020.

A reminder has been put in the Rates Newsletter and our Officers are proactively contacting ratepayers who have received the rebate in the past.

3.3 Postponement of Rates Policy

The objective of this policy is to assist ratepayers experiencing extreme financial circumstances which affects their ability to pay rates. Applying relief through this policy requires approval from the ratepayer's bank if there is a mortgage over the property, and also applies a statutory charge against the title. It is assumed under this policy that rates would only be repaid once the property is sold. There are no ratepayers using this mechanism for rates relief at the moment.

An extract from the Policy covering extreme hardship is outlined below with a full version of the policy attached in Appendix 2.

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.*
- 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 Council's administrative and financial costs and may vary from year to year.*
- 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 inhouse costs and a contribution to cover the cost of independent advice).*
- 6. Any postponed rates will be postponed until; a. the death of the ratepayer(s); or b. the ratepayer(s) ceases to be the owner or occupier of the rating unit; or c. the ratepayer(s) ceases to use the property as their residence; or d. 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.

In summary this policy:

- Applies a statutory charge against the title of the property.
- Usually only repaid once property is sold.
- Has administrative and financial costs.
- To date this policy has never been used by a SWDC ratepayer.

This policy is designed to address the needs of ratepayers whose financial hardship is expected to be ongoing and permanent. Rates would not be expected to be recovered for many years and is targeted at those who are asset rich and cash poor, and unable or unwilling to sell their homes.

4. Other Councils' approaches to providing rates relief in response to Covid-19

The current economic environment and the uncertainty around the impact on ratepayers has led councils throughout the country to look at tools available to support ratepayers in hardship due to Covid-19. There are very few councils looking to amend policies as this would require consultation and community engagement.

Some options other councils are considering or implementing:

4.1 Rates Payment Extension for Instalment 4

There are two criteria for this relief package:

- If as a direct result of Covid-19 (as an owner occupier) you have lost your job, or your income from all sources has reduced by 20%, or
- Your business income has reduced by at least 30% from the same month last year.

If the ratepayer meets either of these two criteria they have an automatic extension of six months to pay instalment 4.

This approach can be applied under our current Rates Remission policy by setting up a payment plan and deferring the start of repayments for 3-6 months.

Applying criteria specific to Covid-19 would require an amendment to the Rates Remission Policy and be subject to public consultation. As our policy allows for a delay in payments an amendment is not considered necessary.

4.2 Amend Rates Postponement Policy to include special Covid-19 clause

One Council is planning to amend their Rates Postponement Policy to include a specific “event” clause. This clause would be activated by Council through a resolution. During the event period no rates would be due for ratepayers who applied for postponement. Once the event is lifted by Council the ratepayer has 12 months to get rates up to date.

This would require ratepayers to obtain approval from their bank if there is a mortgage against the property, would put a statutory charge against the property, and is subject to administration and legal costs.

It is likely the cost and time to set this up would make this approach unattractive to most ratepayers and once again is likely this could be better addressed by making use of a payment plan.

Any changes to the Rates Postponement Policy would require a public consultation process. At this stage there has been no indication this mechanism would be widely used so long term cashflow losses from unpaid rates would be minimal.

4.3 Waiving of late penalties for next two rates instalments

Another Council is adopting a blanket approach and exploring the ability to waive penalties for all ratepayers.

Instalment 4 is part of the current rating year and as such is subject to what is set out in the 2019/20 rates resolution. Council must charge penalties on any unpaid rates after the due date of instalment 4 being 21st May 2020. If desired, Council could choose to amend the rates resolution to enable this to happen.

As the rates resolution has not been adopted for the 2020/21 year there may be an opportunity to change the provisions for applying penalties, however further investigation by Officers would be required.

There is a risk this approach would incentivise people to not pay their rates and would have a flow-on effect impacting adversely on council cashflow. Some ratepayers would undoubtedly take advantage and not pay any rates until the penalties are due to be applied again. There could also be additional administrative cost to recovering unpaid rates.

It is unlikely this approach would respond directly to providing relief from the effects of Covid-19. Our current uptake of direct debit payers is 38% who are exempt from penalties as are ratepayers on payment plans.

Revenue budgeted to be collected from rates penalties in the 2019/20 financial year is \$128,000 resulting in a direct loss of income of \$32,000 per instalment.

The risk of adversely affecting council cashflow is high and therefore this relief option is not recommended.

5. Other Relief Options

5.1 Pay suppliers faster

Most suppliers are paid on the 20th of the month following invoice date. We could shorten this to 5 days from date of invoice, targeting small and local businesses.

Some of our smaller contractors and suppliers are already on 5-day payment terms so cost to Council would be minimal. There would be a minor loss of interest income.

As this will have a minimal effect on Council incomes it is recommended that payment to local businesses is prioritised and payments are made within 5 days of receipt of invoice.

5.2 Nil increase to fees and charges

The draft fees and charges have been released for consultation however this could be reviewed and a freeze put in place for the 2020/21 year.

The financial cost to Council would be minimal.

5.3 Financial Contributions

Financial Contributions paid by developers could be reduced or delayed to stimulate and encourage continued development. This option would require more thorough analysis by Officers to determine potential effects and impacts.

6. Appendices

Appendix 1 – Rates Remission Policy

Appendix 2 – Rates Postponement Policy

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Reviewed By: Harry Wilson, CEO

Appendix 1 – Rates Remission Policy



REMISSION OF RATES POLICY

1. Introduction

In order to allow rate relief where it is considered fair and reasonable to do so, the Council is required to adopt policies specifying the circumstances under which rates will be considered for remission. There are various types of remission, and the circumstances under which a remission will be considered for each type may be different. The conditions and criteria relating to each type of remission are therefore set out separately in the following pages, together with the objectives of the policy.

2. Remission of Penalty Rates

2.1 Objectives

- To enable Council to act fairly and reasonably in its consideration of rates which have not been received by the due date.
- To provide relief and assistance to those ratepayers experiencing financial hardship.
- To encourage an efficient payment regime, recognising the significant benefits accruing by ratepayers using the direct debit payment system.

2.2 Criteria and Conditions

Council will consider each application on its merit and remission may be granted where it is considered that the application meets the following criteria and conditions.

2.3 Conditions and Criteria

1. Council will remit penalty rates where it is demonstrated that penalty rates have been levied due to an error by Council.
2. Remission of one penalty will be considered in any one rating year where payment had been late due to significant family disruption. Significant family disruption is likely to be the ratepayer, or a member of the household being affected by serious illness, serious accident, hospitalisation or death.
3. Remission of penalty may be granted if the ratepayer is able to provide evidence that their payment has gone astray in the post or the late payment has otherwise resulted from matters outside their control. Applications under these criteria will only be

accepted if the ratepayer has a history of regular payments of rates and has not incurred penalty rates in the previous two years.

4. Remission of penalty rates will be considered for those ratepayers who due to financial hardship, are in arrears and who have entered into an agreement with Council to repay all outstanding and current rates. This repayment scheme will generally be up to a period of 12 months. Penalty rates remission will not be considered if the agreement plan is not being adhered to, or a prior repayment scheme has not been adhered to.
5. Remission will be considered if a new owner receives penalty rates through the late issuing of a sale notice, a wrong address on the sale notice or late clearance of payment by the Solicitor on a property settlement. This only applies to penalty rates incurred on one installment. Future installments do not qualify under these criteria.
6. Application for remission of penalty rates must be in writing using the prescribed form.
7. Penalty rates will not be considered for remission if the penalty rates were incurred in a previous rating year, regardless if the application otherwise meets the criteria.

Where a ratepayer agrees to pay rates by direct debit on a weekly, fortnightly, monthly or quarterly basis, no penalties will be charged if the rates for the financial year have been paid in full prior to 30 June in the rating year.

2.4 Delegation

Council delegates the authority to remit penalty rates to the Chief Executive Officer or the Group Manager Corporate Support.

3. Remission of Rates for Land Used by Sporting, Recreational and Community Organisations

3.1 Objective

- To facilitate the ongoing provision of non-commercial sporting, recreational and community services that meet the needs of the residents of the district.
- To provide indirect financial assistance to community organisations.
- To make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These may include children, youth, young families, aged people and economically disadvantaged people.

3.2 Conditions and Criteria

1. This policy will apply to land owned by the Council or owned or occupied by a not for profit organisation, which is used exclusively or principally for sporting, recreation or community purposes.
2. Council will remit 50% of rates, with the exception of targeted rates, for organisations that qualify under this policy, and with the exception of Rural Halls which will receive 100% remission. Sporting organisations will qualify for 50% remission regardless of whether they hold a current license under the Sale and Supply of Alcohol Act 2012.
3. The policy does not apply to organisations operated for pecuniary profit or which charge tuition fees.
4. The policy does not apply to groups or organisations whose primary purpose is to address the needs of adult members (over 18 years) for entertainment or social interaction, or who engage in recreational, sporting or community services as a secondary purpose only.
5. Applications for remission must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated. All rating units that have remissions in place at 1 July 2002 are not required to make application.
6. Organisations making application should include the following documents in support of their application: information on activities and programmes, details of membership and statement of objectives.
7. Remissions will apply to the following rating year and will not be retrospective.

8. Remissions will remain in force until the purposes of the organisation change such that the criteria is no longer met. No annual applications are required following the granting of a remission.

3.3 Delegation

Council delegates the authority to remit 50% of rates for sporting, recreational and community organisations to the Chief Executive Officer or the Group Manager Corporate Support.

4. Remission of Rates on Land Protected for Natural, Historical or Cultural Conservation Purposes

4.1 Objective

- To preserve and promote natural resources and heritage.
- To encourage the protection of land for natural, historic or cultural purposes.

4.2 Conditions and Criteria

1. Ratepayers who own or occupy rating units which have some feature of cultural, natural or historic heritage which is voluntarily protected may qualify for remission of rates under this part of the policy.
2. Land that is non-rateable under section 8 of the Local Government (Rating) Act and is liable only for rates for water supply, wastewater disposal or refuse collection will not qualify for remission under this part of the policy.
3. Applications must be made in writing. Applications should be supported by documentary evidence of the protected status of the rating unit e.g. a copy of the covenant or other legal mechanism. Receipt of evidence of protection without a written application will not be considered.
4. In considering any application for remission of rates under this part of the policy the Council will consider the following criteria:
 - *The extent to which the preservation of natural, cultural or historic heritage will be promoted by granting remission of rates on the rating unit.*
 - *The degree to which features of natural, cultural or historic heritage are present on the land.*
 - *The degree to which features of natural, cultural or historic heritage inhibit the economic utilisation of the land.*
5. In granting remissions under this part of the policy, Council may specify certain conditions before remissions will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if the conditions are violated.
6. Council will decide what amount of rates will be remitted on a case-by-case basis. Remissions will apply to the following rating year and will not be retrospective.

4.3 Delegation

Applications for the remission of rates for protection of heritage will be considered by Council.

5. Remission of Uniform Annual General Charge in Certain Circumstances

5.1 Objectives

- To encourage continued subdivision activity by providing rates relief to new subdivisions by limiting the rates impact of multiple Uniform Annual General Charges (UAGCs).
- To assist ratepayers who have multiple rating units that are contiguous and used as a single farming operation.

5.2 Conditions and Criteria

1. For subdivision purposes, this policy will apply to land that is:

- *subdivided into two or more lots; and*
- *where title has been issued, and*
- *the unsold lots remain in common ownership.*

Remission will be the charge for each unsold lot except one.

2. For multiple rating units, this policy will apply to land that is:

- a. *Owned by the same person or persons and*
- b. *used jointly as a single unit (including being used as part of the same farming operation) and*
- c. *contiguous or separated only by a road, railway, drain, water race, river, or stream.*

Remission will be the UAGC for each unit except the main farm residence unit. Remissions will apply to the following rating year and will not be retrospective.

5.3 Delegation

Council delegates the authority to remit UAGCs to the Chief Executive officer or the Group Manager Corporate Support.

6. Remission of Reserves and Civic Amenities Charge

6.1 Objectives

- To encourage continued subdivision activity by providing rates relief to new subdivisions by limiting the rates impact of multiple Reserves and Civic Amenities Charges (UACs).
- To assist ratepayers who have multiple rating units that are contiguous and used as a single farming operation
- To provide relief to rural farming properties for a vacant unit used as a run-off.

6.2 Conditions and Criteria

1. For subdivision purposes, this policy will apply to land that is:

- a. subdivided into two or more lots; and*
- b. where title has been issued, and*
- c. the unsold lots remain in common ownership.*

Remission will be the charge for each unsold lot except one.

2. For multiple rating units, this policy will apply to land that is:

- a. Owned by the same person or persons and*
- b. used jointly as a single unit (including being used as part of the same farming operation) and*
- c. contiguous or separated only by a road, railway, drain, water race, river, or stream.*

Remission will be the UAC for each unit except the main farm residence unit.

3. For a run-off unit the policy will apply to one unit used as a run-off for a farming operation. A separate application in writing must be made for consideration of this remission. Remissions will apply to the following rating year and will not be retrospective.

6.3 Delegation

Council delegates the authority to remit Reserves and Civic Amenities Charge to the Chief Executive Officer or the Group Manager Corporate Support.

7. Remission of Rates for Natural Disasters

7.1 Objectives

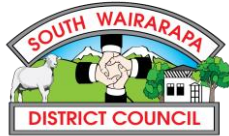
To provide relief to properties affected by natural disasters.

7.2 Conditions and Criteria

1. Council will remit rates to those properties identified according to the conditions and criteria set by Central Government.

The level of remission will be to the extent of funding provided by Central Government.

Appendix 2 – Postponement of Rates Policy



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.
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 Council's administrative and financial costs and may vary from year to year.
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).
6. Any postponed rates will be postponed until;
 - a. *the death of the ratepayer(s); or*
 - b. *the ratepayer(s) ceases to be the owner or occupier of the rating unit; or*
 - c. *the ratepayer(s) ceases to use the property as their residence; or*
 - d. *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%.

Council will 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)

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. 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 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).

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. 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

The policy will apply from the beginning of the rating year in which the application is made.