

FINANCIAL HARDSHIP & RATE RECOVERY POLICY

Report Author: Executive Officer - Property Rating Services
Responsible Officer: Director Corporate Services
Ward(s) affected: (All Wards);

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

SUMMARY

The current Rate Recovery and Financial Hardship Policy was adopted by Council on 22 March 2022.

An amendment to this policy has been developed to provide Council with a policy framework to provide financial relief to individuals and businesses after amendments to Rating provisions in the *Local Government Act 1989* (the Act) received royal assent in August 2022 and will commence on 20 June 2023.

RECOMMENDATION

That Council approves the amended Rate Recovery and Hardship Policy.

Purpose and Background

An amended Rate Recovery and Hardship Policy has been developed to provide direction to Council's Officers in supporting ratepayers who are having difficulty paying their rates, and when collecting and providing for overdue rates and charges.

Council will continue to provide assistance to those in financial hardship in accordance with the *Local Government Act 1989* and its *Rate Recovery and Financial Hardship Policy* while seeking to minimise impact on the funding of its operations or its future financial viability to meet long-term community needs.

The following key strategies have been used to achieve the policy revisions objectives:

- Allowing for ratepayers to enter Payment Plans under new section 171B of the Act;

- Modifying minimum criteria for customers to be considered for Payment Plans and Hardship Agreements;
- Establishing Council requirements of ratepayers where they consistently default on payment plans; and
- Extending Hardship Agreements (deferment of rates) to 24 months.

FINANCIAL ANALYSIS

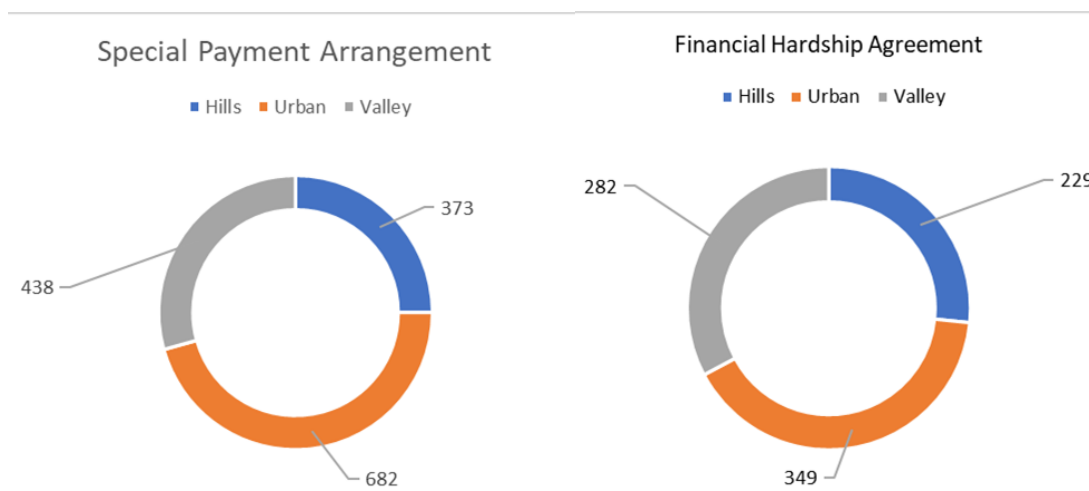
Prior to being formalised in the Act, ratepayers on Special Payment Arrangements were charged penalty interest according to Sec 172 of the Act. Under the new provisions, Payment Plans will replace Special Payment Arrangements and prohibit the charging of interest on ratepayers whilst on a Payment Plan. This will result in a decrease of approximately \$450,000 per annum in Council revenue (based on applicable penalty interest rate of 10%).

As penalty interest will no longer be charged against ratepayers on Payment Plans, more ratepayers may opt to apply for Payment Plans where previously they had applied for a Hardship Agreement (which has historically been, and remains, a penalty interest free arrangement).

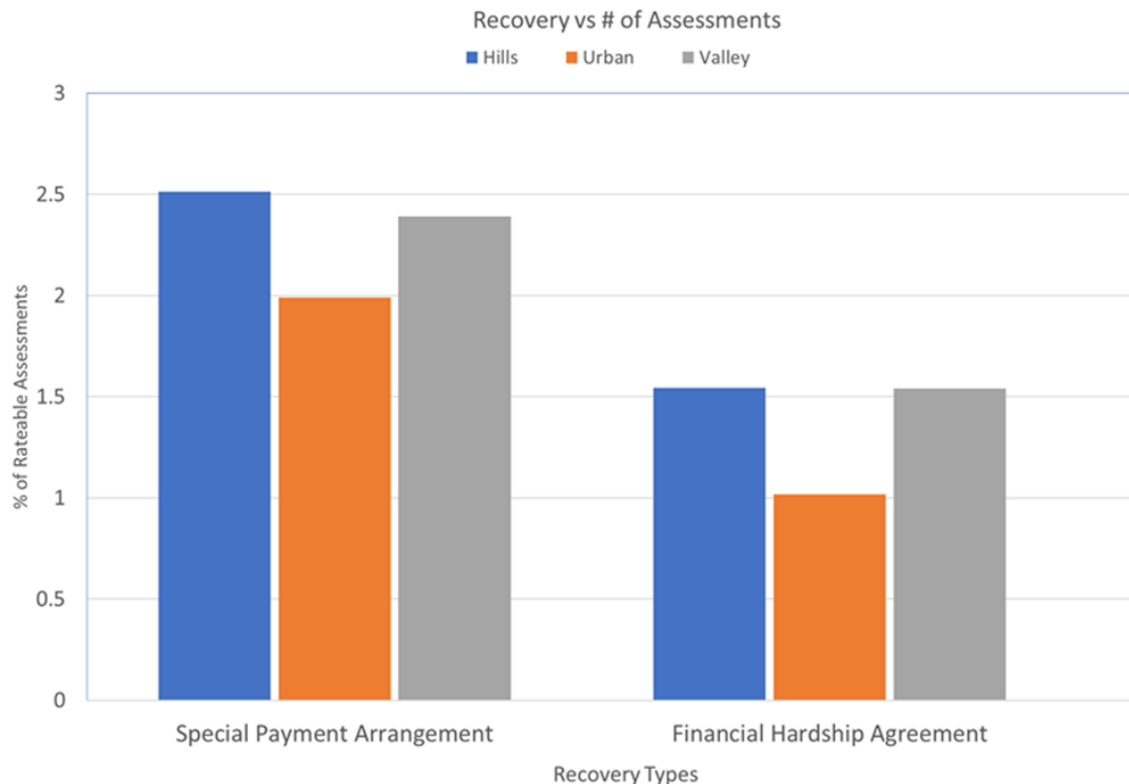
As the minimum payment requirements for a Payment Plan are higher than that of a Hardship Agreement, this would slightly offset revenue lost through the non-charging of interest.

As at 31 March 2023 there were:

- 1493 assessments on special payments arrangements (Payment Plans); and
- 860 assessments on Financial Hardship Agreements (Hardship Agreements)



Payment Plans and Hardship Agreements are in place on the following proportion of assessments in each area.



Changes to Section 180 of the *Local Government Act 1989* are expected to decrease Council's cash flow, due to restrictions on Council's ability to pursue debt recovery actions through the Magistrate's Court. It is estimated that Council will only be able to pursue approximately 20% of unpaid debts it would previously have pursued through legal action. This will impact timing of cash flow, but not overall income.

RELEVANT LAW

The *Local Government Legislative Amendment (Rating and Other Matters) Act 2022* received Royal Assent in August 2022. It modifies and creates provisions within the existing *Local Government Act 1989*, including but not limited to.

- New Section 171B – Formalising Payment Plans;
- New Section 180A – Limiting legal proceedings to recover debt;
- New Section 181AA – Provision for Ministerial guidelines relating to payment of rates and charges (yet to be provided); and
- New Section 172A – Maximum rate of interest charges on unpaid rates and charges.

The above sections will come into operation on 20 June 2023.

SUSTAINABILITY IMPLICATIONS

Economic Implications

The Rate Recovery and Financial Hardship Policy revision provides stronger support for ratepayers facing difficulties paying their rates, which adds to the economic support available to community members.

Social Implications

The Rate Recovery and Financial Hardship Policy revision supports social sustainability.

Environmental Implications

This has been considered and does not apply to this report.

COMMUNITY ENGAGEMENT

Not applicable

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

The policy was amended based on advice from the following organisations;

- Municipal Association of Victoria; and
- Victorian Council delegates of the Revenue Managers Association.

RISK ASSESSMENT

The revisions to this policy are required under changes to legislation. The changes will provide more opportunities for ratepayers to manage the payment of rates and charges which will reduce the risk of financial pressure in the community. The changes will also increase the financial risks to Council through delays to receipt of rates payments and lower penalty interest charges.

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

1. Proposed Rate Recovery & Hardship Policy