

Interim Rates Financial Hardship Policy

Date adopted: 29 May 2023

Responsible Service Area: Finance and Commercial

Purpose

The purpose of the Interim Financial Hardship Policy is to establish and implement a consistent approach to the collection of property rates and charges that is in line with Council's long-term community vision outlined in *Maroondah 2040: Our Future Together* and the *Local Government Legislative Amendment (Rating and Other Matters) Act 2022*.

Scope

This policy will apply to Maroondah City Council ('Council'), all persons liable to pay rates and charges within the Maroondah City Council municipality, its employees, and its contracted service providers, including all employees of the Revenue team and Council's appointed debt collection agency.

A ratepayer who requires additional assistance under the policy is defined by Council as: someone who has the intention but not the capacity to pay their outstanding debt due to financial constraints/hardship.

Objectives

The objectives of the Interim Financial Hardship Policy are to:

- Ensure, where possible that all debts owed to Council are paid, by the due date and followed up within specified timeframes;
- set out hardship relief options, eligibility for those options and how ratepayers can apply;
- ensure a fair, equitable and accountable approach to Council's debt management and collection decisions and practices;
- provide transparency to ratepayers, Councillors, and staff as to Council's debt collection protocols and framework and ensure all Council officers dealing with ratepayers are familiar with the Rates Financial Hardship Policy;
- make application processes proportionate to the relief that is being sought by the ratepayer;
- seek only relevant information and supporting documents from ratepayers and ensure questions are not intrusive;
- offer referrals to financial counsellors but remain flexible if ratepayers do not want to seek or apply through such a service;

Policy Control Schedule

Policy Title: Interim Rates Financial Hardship Policy		Policy type: Operational
Current version approved: 29 May 2023		Current version number: 1.00
Parent policy: Maroondah City Council Adopted Budget 2023/2024		Policy review date: 2024
Child policy/policies: Revenue and Rating Plan 2021/22 to 2024/25	Policy responsibility: Manager Finance and Commercial	

- offer the ratepayer assistance to complete application forms in appropriate cases;
- take proactive steps to identify ratepayers who may be in hardship regarding their rates for example ratepayers who miss due dates, request payment plans or disclose hardship or other vulnerabilities;
- inform ratepayers about alternative payment options, the Rates Financial Hardship Policy and available support services;
- offer alternative payment options to help ratepayers budget and pay rates e.g. Centrepay and user determined payment frequency;
- assist ratepayers to meet their obligations, rather than redistributing the impact of rate arrears to other ratepayers;
- ensure Council's debt collection is sensitive and responsive to financial hardship issues;
- provide assistance to ratepayers experiencing financial hardship; and
- provide guidelines for council staff and its contractors to manage ratepayer financial hardship effectively and consistently.

Background / Context

Whilst the collection of rates and charges at Maroondah City Council is in accordance with the *Local Government Act 1989*, this Policy will ensure that Maroondah City Council and the Revenue area has clear and documented guidelines in line with the recent *Local Government Legislative Amendment (Rating and Other matters) Act 2020* for the efficient, consistent and equitable collection of all outstanding property rate accounts.

The Policy will consider all payment options that can be managed within the Revenue area and aims to:

- Establish principles to apply to the overall collection of property rate accounts;
- Provide payment plans or arrangements to pay based on a ratepayer's capacity to pay;
- Offer short term deferral of rates and charges;
- Offer long term or indefinite deferral, under which the debt accrues as a charge on the land and is recovered when the land is sold or transferred;
- Provide a rate waiver under the Local Government Act;
- Provide an interest waiver under the Local Government Act;
- Provide referral to a financial counselling or other support organisation;
- Establish options of payment (Full, Instalment, Direct Debit, and Arrangements);
- Identify the type of assistance that may be offered by Council; and
- Apply similar principles to other debts owed to Council.

Policy Principles

This Policy is built around the principles that:

- the Act will underpin all processes, payment due dates, interest calculations etc;
- alternative Payment Arrangements can be varied for the individual when requested;
- Council will include appropriate wording on all accounts and reminder correspondence to assist with early identification of financial difficulty;
- the form of assistance given will be proportionate to the level of financial difficulty being experienced by the ratepayer;

- consideration will be given as to whether it is appropriate to charge interest while the ratepayer is complying with the hardship agreement or where the ratepayer is a pensioner or otherwise vulnerable;
- charging of interest at a rate not exceeding the market rate plus the costs of administering the arrangement, where the ratepayer is complying with the hardship agreement;
- reconsider the hardship agreement if the ratepayer's circumstances change;
- ensure the Interim Financial Hardship Policy and practices are consistent with ACCC and ASIC's debt collection guidelines;
- determines a risk-based debt recovery strategy appropriate to the size and age of the debt and the ratepayer's circumstances;
- ensuring any debt collectors contracted by Council are subject to the requirements of this Interim Financial Hardship Policy;
- consider waiving legal costs where it becomes clear the ratepayer was in hardship at the time of the legal action or where the legal costs are exacerbating the ratepayer's hardship;
- managing conflicts of interest within the Council by deciding hardship relief applications outside the revenue collection team;
- ensure staff who decide applications have relevant training or experience in identifying and responding to financial hardship;
- ensure provision for hardship relief is factored into the Council's Annual Budget;
- hardship applications will be processed within 15 working days of receipt by Council;
- where deemed necessary by Revenue officers, ratepayers will be provided with the opportunity to participate in local independent financial counselling or support services;
- Council will provide simple application forms but will also accept any written request and verbal contracts when applicable;
- Where appropriate Council will suggest ratepayers utilise financial counselling, legal and other support networks;
- Senior management will oversee hardship policies, Payment Arrangements, and debt recovery processes; and
- Legal action to recover rates will be a last resort.

Relationship to the Maroondah 2040 Community Vision

The operation of this policy is aligned to *Maroondah 2040: Our future together*, as follows:

Community Outcome:

A well governed and empowered community

Key Directions:

8.1 Provide enhanced community inspired governance that is transparent, accessible, inclusive and accountable
8.2 Ensure responsible and sustainable management of Maroondah's resources, assets, infrastructure, and natural environment
8.4 Work in partnership to deliver innovative, accessible and evidence informed services that are people focused, proactive, integrated and responsive
8.6 Embrace emerging technology and the digital economy in the delivery of services, enhancement of assets, and engagement of the community Work in partnership with key agencies and other levels of government to provide leadership in emergency preparedness, response and recovery processes

- 8.8 Ensure that all community members have access to, and are informed on, matters that affect them, including tailored information for under-represented and hard to reach groups
- 8.11 Work in partnership to advocate for and champion the needs and aspirations of the community to Victorian and Australian levels of government, service providers and the business sector
- 8.14 Work in partnership to deliver services that recognise and are responsive to the interests and needs of the community

Interim Rates Financial Hardship Policy Position

In arriving at this position Council has considered the opportunities that exist in the rating provisions of the Local Government Act 1989 and the outcomes of Rating review 2020 and subsequent introduction of the *Local Government Legislative Amendment (rating and Other Matters Act 2022)*.

Council relies heavily on the prompt payment of rates and charges to run the municipality. Non payment of rates can create cashflow issues that may impact on the operations of the municipality. Rather than redistributing the impact of rate arrears to other ratepayers, Council's debt collection process will be continual, consistent and ongoing. However, recognition will be given to assisting ratepayers that find themselves experiencing financial hardship as a result of unexpected costs or life events.

Such events may include but not limited to:

- unforeseen expenses, such as car or medical costs
- reliance on Centrelink for income
- unexpectedly high electricity, gas or water bills
- physical health problems
- mental health problems
- family violence problems
- employment problems such as losing a job, not having enough work or working variable hours
- excessive borrowing
- lack of ability to manage budget/money
- overspending
- global economic climate
- and of recent times the incidence of a global pandemic

1. Special Payment Arrangement

Individuals experiencing financial difficulty or financial hardship who are unable to pay outstanding rates by the above two methods can apply to pay by Special Payment Arrangement.

Council will agree to a Special Payment Arrangement that is realistic and affordable based on the individual financial situation of the ratepayer. This may be short-term or long-term.

Council will agree to a Special Payment Arrangement to allow a ratepayer to pay a rate or charge over a longer period than standard payment terms provide, subject to:

- Ratepayer agreeing that interest will be charged and will continue to accrue on the outstanding rate or charge as set down in Section 172 of the *Local Government Act 1989* where payment terms are not met.
- It is preferred that the arrangement will have a limited life of no more than 12 months following the end of the financial year the arrangement was made

- Arrangements that are long term or indefinite are to be made in writing by the ratepayer. Council make seek supporting documents from the ratepayer under the following circumstances:
 - long-term hardship relief
 - relief for a significant rates debt
 - a waiver of rates or interest
 - situations where the council considers the ratepayer is not providing honest and accurate information
- An arrangement will lapse if 3 scheduled payments have not been made. The ratepayer will be advised in writing of that scenario.
- Each arrangement is reviewed in line with the agreed payment frequencies
- Payment frequency (weekly, fortnightly or monthly) and amount payable is by mutual agreement.
- An Arrangement will continue until the debt is paid
- If Legal Action has already commenced, a Payment Arrangement directly with Council cannot commence without consultation with the Debt Recovery agency.

2. Financial Difficulty

Early identification of financial difficulty is paramount to eliminating any additional burdens being incurred. This requires a ratepayer/property owner to identify themselves to Council or, appointing a third party to act on their behalf by way of written authority presented to Council. Ratepayers/property owners or their representative will be treated with respect and confidentiality at all times in line with Council's Customer Service Code.

3. Financial Hardship

Financial hardship is when an individual is unable to meet their financial commitment to pay their Council rates by 30 June of the current financial year due to circumstances beyond their control. This could include sudden loss of employment, medical issues or other unexpected financial burden.

4. Extreme Financial Hardship

Extreme financial hardship is determined on a case-by-case basis when an individual's financial situation has been impacted by reason's listed within Council's 'financial hardship' definition and they are unable to support themselves or their family with necessities such as food, shelter and education.

An individual in extreme financial hardship is unlikely to experience financial relief in the foreseeable future and may be experiencing events such as family violence, terminal illness or other extenuating financial burdens.

5. Various Methods of Relief

Waiver of Interest

On identification of financial difficulty and on entering into a Payment Arrangement, Council will hold interest charges for the period of the arrangement where the arrangement terms are being met by the ratepayer.

Deferral of Rates

Early identification of financial distress for a ratepayer presents Council with the opportunity to utilise the deferral provisions of the act to assist the ratepayer.

A deferral of rates can be applied in two manners:

1. Short term deferral - Up to 6 months deferral. This period would be interest free and has the effect of extending the due date for payment of rates by the ratepayer. Such a request can be made verbally or in writing.
2. Long term or indefinite deferral - this has the effect of removing the burden from the ratepayer until they are in a position to discharge the debt. During the deferral period, interest charged will be at a reduced rate to that which is declared by the Attorney General under the *Penalty Interest Act 1983*. This request is to be made in writing and will require supporting documentation.

Under both options the ratepayer is provided with assistance to enable them to ultimately meet their rate payment obligations and would be considered on a case-by-case basis with regular review and validation with the ratepayer of their financial circumstances.

Waiver of Rates

This is considered on a case-by-case basis when a ratepayer is experiencing extreme financial hardship. In order to be considered for a waiver of rates, a financial hardship application form is required to be completed and discussed with Council's Revenue Coordinator.