

# **ATTACHMENT TO AGENDA ITEM**

**Ordinary Meeting**

**21 February 2017**

**Agenda Item 8.3      Financial Hardship Policy**

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# GREATER SHEPPARTON CITY COUNCIL

Policy Number 34.POL2

## Financial Hardship Policy

Version 2.0

Adopted

Last Reviewed December 2016

<b>Business Unit:</b>	Finance and Rates
<b>Responsible Officer:</b>	Manager Finance and Rates
<b>Approved By:</b>	Acting Chief Executive Officer
<b>Next Review:</b>	December 2020

**PURPOSE**

To provide Council with a policy framework for financial relief to ratepayers and general debtors who are experiencing, or are at risk of experiencing, financial hardship. This policy also provides ratepayers and general debtors with a clear and transparent understanding of the options and assistance available.

To ensure a fair collection of revenue and that debts are recovered in an efficient timely manner in accordance with documented processes.

**OBJECTIVE**

To ensure ratepayers experiencing genuine financial hardship situations are aware of the rating assistance available under the Local Government Act 1989; all applications for rate assistance are treated consistently, objectively, sensitively, respectfully and in a confidential manner; and other ratepayers are not disadvantaged by the granting of inappropriate rate relief.

To ensure Council maintains a consistent approach towards general debtors experiencing genuine financial hardship situations.

**SCOPE**

This policy applies to all requests for rate assistance from individuals experiencing financial difficulties or hardship, with regard to the rates, municipal charge, service rate, special rate and fire service levy and debts within the municipality.

**DEFINITIONS**

<b>Reference term</b>	<b>Definition</b>
<b><i>Financial Hardship - Residential</i></b>	<p>A ratepayer who is living in their primary residence and who wants to pay the rates on their primary place of residence but cannot due to financial difficulty in meeting basic living costs.</p> <p>A person is considered to be in hardship when they would be left unable to provide food, accommodation, clothing, medical treatment, education or other basic necessities for themselves, their family or dependants.</p> <p>The ratepayer reasonably expects to be able to pay if payment arrangements were changed. The hardship may be short or long term.</p>
<b><i>Financial Hardship – Non Residential</i></b>	<p>Financial hardship can apply to non-residential properties by way of business closure, disconnection of essential services, repossession of a vehicle used for business purposes, imminent legal action pending for non-payment of debts, period of review limitations, court orders, settlements or other necessities for the business or people the business is responsible for. Council will consider future capacity to pay when considering financial hardship applications from non-residential ratepayers.</p>
<b><i>Payment Arrangement</i></b>	<p>Spreads the rate payment over an agreed period, allowing the applicant additional time to make payments without any legal action being taken (e.g. regular repayments which will clear the amount). Interest will be charged on all outstanding amounts until paid in full.</p>
<b><i>Deferment</i></b>	<p>A postponement of payment in whole for a specified period. An application form is required. Interest continues to accrue on outstanding amounts.</p>
<b><i>General Debtor</i></b>	<p>Any individual, organisation, business or other entity owing an amount of money to Council other than those rates and charges collected through the rating and valuation process.</p>

## **POLICY**

### **RATES DEBTORS**

#### **IDENTIFYING HARDSHIP**

Council is aware that there are many reasons why customers experience hardship and will assess each application on its merits.

When assessing applications, Council may consider whether there is a reasonable cause for the financial difficulty or hardship.

A reasonable cause for difficulty or hardship could be one or more of the following:

- Illness;
- Unemployment;
- Decrease in earnings due to change in employment status;
- Death of spouse or partner;
- Divorce/separation; or
- Temporary short term cash flow problems for self-employed persons due to circumstances outside of their control.

Unreasonable causes for financial difficulty or hardship which may not be grounds for assistance are:

- over commitment;
- long term/permanent cash flow problems caused by own decisions (e.g. voluntary termination; or
- imprisonment or the payment of statutory fines

**FINANCIAL HARDSHIP – RESIDENTIAL****PAYMENT ARRANGEMENT - RESIDENTIAL**

Ratepayers experiencing difficulty paying outstanding rates and charges via the standard payment options may apply for a payment arrangement.

**Short Term Arrangement**

Short term assistance may be provided to residential ratepayers, subject to compliance with the following conditions:

- A signed application must be made in writing, verbal arrangements will not be accepted;
- Proposed payments must be regular (e.g. weekly, fortnightly);
- The maximum life of the arrangement should be until the end of the financial year during which the rates were levied;
- Any default in arrangement may end the arrangement and may result in the commencement of debt recovery procedures, including legal proceedings;
- Interest will not be levied for the duration of the arrangement so long as the arrangement is adhered to.

**Long Term Financial Hardship**

Owner occupiers experiencing long term financial hardship may make application for an extended payment arrangement, subject to compliance with the following conditions:

- The applicant must own the property and it must be their principal place of residence;
- A signed application must be made in writing, verbal arrangements will not be accepted;
- The applicant must be able to provide a Statement of Financial Position (SOFP) as evidence of financial hardship as certified by an assessment carried out by an Accountant, Bank Officer or Council nominated/approved Financial Counselling Service; and
- Such additional information or documentation required to support the application or the SOFP;
- Proposed payments must be regular (e.g. weekly, fortnightly);
- The maximum life of the payment arrangement is twelve (12) months following the end of the financial year the arrangement was entered into;
- Any default in arrangement may end the arrangement and may result in the commencement of debt recovery procedures, including legal proceedings;
- Interest will be levied at the rate set by the Attorney General until the account is paid in full.

**DEFERMENT**

Where an owner occupier of a residential property is unable to commit to regular payments, a deferral will be considered, subject to compliance with the following conditions:

- The applicant is:
  - Making application in respect to a property they own and that is their principal place of residence;
  - A pensioner who is eligible to claim a pension rebate;
  - Able to provide a Statement of Financial Position (SOFP) as evidence of severe financial hardship as certified by an assessment carried out by a Council nominated/approved Financial Counselling Service;
  - Additional information or documentation required to support the application or SOFP;
  - Council may request further financial details and may request and interview in order to arrive at its decision.
- Deferment will be for one year only, at which time a review will be carried out with the applicant to reassess their circumstances. The eligible ratepayer is required to reapply each year;
- The limit for the amount to be deferred will be 10% of the CIV of the property;
- The applicant will be encouraged to continue to pay the portion of rates that is affordable given their individual circumstances;
- Interest will be levied at the rate set by the Attorney General until the account is paid in full;
- Where property ownership changes, all overdue rates and charges must be fully paid at settlement. Rates deferrals are not transferable.

Commercial or industrial properties, vacant land or applications from owners of multiple properties will not be considered for rates deferral.

**REMOVAL OF ARRANGEMENT**

A payment arrangement or rates deferral will be withdrawn on the basis of any of the following conditions:

- Application for the annual renewal of deferral of rates regarding ongoing hardship is not received within 30 days of the application being sent to the ratepayer;
- The applicant gives Council any information which is false or misleading in respect of their application;
- Any default in the arrangement;
- The applicant advises that the hardship conditions no longer exist;
- The applicant no longer owns or occupies the property.

**FINANCIAL HARDSHIP – NON-RESIDENTIAL****PAYMENT ARRANGEMENT – NON-RESIDENTIAL**

Council acknowledges that a significant proportion of its rate revenue is derived from the non-residential sector, and therefore has made provision to offer assistance to non-residential ratepayers experiencing hardship.

**Short Term Arrangement**

- A signed application must be made in writing, verbal arrangements will not be accepted;
- Proposed payments must be regular (e.g. weekly, fortnightly);
- The maximum life of the arrangement should be until the end of the financial year of which the rates were levied;
- Any default in arrangement may end the arrangement and may result in the commencement of debt recovery procedures, including legal proceedings;
- Interest will not be levied for the duration of the arrangement so long as the arrangement is adhered to.

**Long Term Financial Hardship**

Each application will be considered on an individual basis with Council taking the following criteria into account when considering the acceptance of any application:

- A signed application must be made in writing, verbal arrangements will not be accepted;
- Application must be made by the property owner;
- Proposed payments must be regular (e.g. weekly, fortnightly);
- The applicant must be able to provide a Statement of Financial Position (SFP) as evidence of financial hardship, as certified by an assessment carried out by an Accountant, Auditor or Bank Manager. Such evidence should also outline the applicant's future capacity to pay;
- Additional information or documentation required to support the application or SFP.

**REMOVAL OF ARRANGEMENT**

A payment arrangement or rates deferral will be withdrawn on the basis of any of the following conditions:

- Application for the annual renewal of deferment of rates regarding ongoing hardship is not received within 30 days of the application being sent to the ratepayer;
- The applicant gives Council any information which is false or misleading in respect of their application;
- Any default in the arrangement;
- The applicant advises that the hardship conditions no longer exist;
- The applicant no longer owns or occupies the property.

## **WAIVER**

### **Waiver of Rates, Charge or Levy**

To ensure that financial hardship assistance offered to one ratepayer does not have a distributional effect on the rate base, Council will not waive in whole or part any rate, levy, charge, special rate or special charge.

### **Waiving Interest and Legal Costs**

Interest and legal cost waivers fall under two categories;

1. Administrative waivers
2. Waiver on compassionate grounds

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#### **1. Administrative waivers**

2. Ratepayers may have interest and/or legal fees waived in the event of a Council administrative issue, error or omission which caused or significantly contributed to the failure to pay rates and charges in a timely manner.
3. Application must be made in writing and the account must be paid in full at the time of application.

#### **2. Waiver on compassionate grounds**

4. A ratepayer may have interest and/or legal costs waived where they can demonstrate compassionate grounds for late payment.
5. Application must be made in writing and the account must be paid in full at the time of application.

## **GENERAL DEBTORS**

General debtors will be invoiced through normal Council processes with standard payment terms of 30 days.

In consideration of the elderly and special circumstances that may exist a number of overdue reminders for Aged Services debtors will be sent to the debtor and efforts made to establish a payment plan before any services are ceased and debt collection services are utilised.

For Children's Services a similar arrangement to the Aged Services debtors will be used with a number of reminders will be submitted and efforts made to organise a payment plan before any services are ceased and debt collection services are utilised.

For the remaining general debtors all efforts will be made to arrange payment, including payment plans, before any debt collection services are utilised.

Those with general debts owing to Council can make application under the financial hardship policy for payment arrangements prior to cessation of services or commencement of formal debt collection.

In consideration of the often small value in nature of such debts verbal arrangements will be accepted on the understanding that any default in the arrangement may result in the cessation of services and the commencement of formal debt collection.

### **Confidentiality**

Applications for consideration of financial hardship will be treated as strictly confidential in accordance with Council's Information Privacy Policy.

**RELATED GUIDELINES, STRATEGIES, POLICIES AND DIRECTIVES**

- 34.CEOD1 Process for Financial Hardship Applications CEO Directive
- 16.POL2 Information Privacy Policy
- Rating Strategy 2013-2017
- Municipal Association of Victoria Hardship Policy Guidelines November 2013

**RELATED LEGISLATION**

- Local Government Act 1989
- Fire Services Property Levy Act 2012
- State Concessions Act 2004
- Penalty Interest Rates Act 1983
- Cultural and Recreational Lands Act 1963
- Information Privacy Act 2000
- Charter of Human Rights and Responsibilities Act 2006

**REVIEW**

Council will review this policy every four years from the date of adoption.

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**Peter Harriott**  
**Chief Executive Officer**

**Date**

**ATTACHMENTS**

Nil