



GREATER SHEPPARTON CITY COUNCIL

FINANCIAL HARDSHIP POLICY

Adopted by Council: 15 September 2020

Next Review: August 2024



FINANCIAL HARDSHIP POLICY

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| Code: | 34.POL2 |
| Version: | 2.2 |
| Business Unit: | Finance and Rates |
| Responsible Officer: | Manager Finance and Rates |
| Approved By: | Chief Executive Officer |
| Adopted By: | Council 15 September 2020 |
| Next Review: | August 2024 |

DOCUMENT REVISIONS

| Version # | Summary of Changes | Date Adopted |
|------------------|--|---------------------|
| 1 | Policy first drafted and adopted. | 21 October 2014 |
| 1 | Includes reference to general debtors other than rates debtor. | 17 November 2015 |
| 2 | Key changes made to the payment arrangements. | 21 February 2017 |
| 2.1 | Clearly defines what is required from both the Ratepayer and Council staff. | 21 November 2017 |
| 2.2 | Removed the condition of interest being charged on long term financial hardship; and the rates, levy or charge to be paid in full before an interest waiver will be granted on compassionate ground. Definitions were also updated. | 15 September 2020 |

PURPOSE

To provide Council with a policy framework for assisting 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 recover debts in an efficient and 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 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

| Reference term | Definition |
|--|---|
| <i>Default</i> | Payment under a payment arrangement being missed without explanation and false or misleading information being provided. |
| <i>Deferment</i> | To postpone payment for a specified period. An application form is required. |
| <i>Financial Hardship - Residential</i> | <p>A ratepayer 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> |
| <i>Financial Hardship – Non Residential</i> | 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 and any broader macroeconomic impacts to business. Council will consider future capacity to pay when considering financial hardship applications from non-residential ratepayers. |
| <i>General Debtor</i> | Any individual, organisation, business or other entity owing an amount of money to Council other than rates, charge or levy collected through the rating and valuation process. |
| <i>Payment Arrangement</i> | Spreads the payment of the amount 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). |

POLICY

RATES DEBTORS

IDENTIFYING HARDSHIP

Council is aware that there are many reasons why ratepayers 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);
- Imprisonment or the payment of statutory fines or
- Long term failure to pay rates.

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. Once a payment arrangement has been approved no interest will be charged on overdue amounts unless there is a default or the arrangement is removed.

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 or monthly);
- 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.

Long Term Financial Hardship

Owner occupiers experiencing long term financial hardship may make an 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;
- The applicant must complete and sign a Council Hardship Application form and be prepared to attend a meeting with Rates staff to discuss their application;
- Verbal arrangements will not be accepted;
- The applicant may be required to provide a Statement of Financial Position (SOFP) as evidence of financial hardship certified by an Accountant, Bank Officer or Council nominated/approved Financial Counselling Service;
- Additional information or documentation may be required to support the application or the SOFP;
- Proposed payments must be regular (e.g. weekly, fortnightly, monthly);
- The maximum life of the payment arrangement is 12 months following the end of the financial year the arrangement was entered into;
- Any default may end the arrangement and may result in the commencement of debt recovery procedures, including legal proceedings.

DEFERMENT

Where an owner occupier of a residential property is unable to commit to regular payments, a deferral may 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;
 - The applicant must complete and sign a Council Hardship Application form and be prepared to attend a meeting with Rates staff to discuss
 - May be required to provide a Statement of Financial Position (SOFP) as evidence of severe financial hardship certified by a Council nominated/approved Financial Counselling Service, an Accountant or Bank Officer;
 - Additional information or documentation may be required to support the application;
 - Council may request further financial details in order to arrive at its decision.
- Deferment will be for one year only, at which time the applicant is required to reassess their circumstances and reapply each year by meeting the above mentioned criteria.
- The limit for the amount to be deferred will be 10% of the Capital Improved Value 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; or withheld at Council's discretion based on the individual circumstances
- 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 deferment.

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;
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- Any default;
- 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 provisions to offer assistance to non-residential ratepayers experiencing hardship. Once a payment arrangement has been approved no interest will be charged on overdue amounts unless there is a default or the arrangement is removed.

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 or monthly);
- The maximum life of the arrangement should be until the end of the financial year of which the rates were levied;
- Any may end the arrangement and may result in the commencement of debt recovery procedures, including legal proceedings.

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:

- The applicant must be the property owner;
- The applicant must complete and sign a Council Hardship Application and be prepared to attend a meeting with Rates staff to discuss the application;
- Verbal arrangements will not be accepted;
- Proposed payments must be regular (e.g. weekly, fortnightly or monthly);
- The applicant must be able to provide a Statement of Financial Position (SOFP) as evidence of financial hardship, 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 SOFP;
- The maximum life of the payment arrangement is 12 months following the end of the financial year the arrangement was entered into;

Any default may end the arrangement and may result in the commencement of debt recovery procedures, including legal proceedings.

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 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

1. Administrative waivers

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.

2. Waiver on compassionate grounds

A ratepayer may have interest waived where they can demonstrate compassionate grounds for late payment.

Application must be made in writing and the rates, levy or charge must be paid in full or have a suitable payment arrangement in place at the time of application. Once the rates, levy or charge has been paid the interest will be removed if waiver approved.

GENERAL DEBTORS

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

Should the debt become overdue efforts will be made to arrange payment of the debt before any services are ceased or formal debt collection services utilised. Efforts may include but are not limited to statements, reminders letters and phone calls.

Due to 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. The maximum life of the payment arrangement is 12 months from the due date of the original invoice.

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

- 37.POL12 Privacy Policy
- Rating Strategy 2017-2021
- 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

REVIEW

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



23 September 2020

Peter Harriott
Chief Executive Officer

Date