



AGENDA

Supplementary Reports Ordinary Council Meeting Monday, 31 May 2021

Date Monday, 31 May 2021

Time 9am - Long Term Plan Hearing

Location Council Chamber
District Council Building
King George Place
Timaru

File Reference 1425631

Order Of Business

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7 Reports

7.15 Rates Discount Policy

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Recommendations

That Council

1. Receives and considers the community feedback received on the Rates Discount Policy as part of the Long Term Plan 2021-31 consultation process.
2. That Council repeals the Rates Discount Policy.

Purpose of Report

1. The purpose of this report is to present to Council the feedback received following community consultation as part of the Long Term Plan process on the proposal to repeal the Rates Discount Policy.
2. The feedback received will inform Council's decision-making.

Assessment of Significance

3. The proposal to repeal the Rates Discount Policy is considered of medium significance due to the number of ratepayers affected by a decision to remove the discount currently offered for the early payment of rates in full. 2,619 properties currently receive the discount, representing nearly 12% of rateable properties in the District.
4. The financial impact of this decision on Council is considered of low significance, with an approximate annual cost of \$150,000. The degree to which people may be impacted is also considered low, as the current discount is set at 2.5% of total rates levied against a property.
5. In assessing the likely community interest in the proposed repeal of this policy, officers believe that this may be of medium significance, when combined with the other financial impacts of the draft Long Term Plan (LTP) currently under development.
6. As a result of this assessment of significance, the proposal to repeal this policy was included in the LTP Consultation Document. The community feedback received will now help inform Council's decision to repeal the policy or retain it.

Background

7. The Local Government (Rating) Act 2002 (the Act) allows Council to adopt a policy for the payment of some or all rates that are identified in the rates assessment before the due date for those rates in the current financial year.¹

¹ Section 55, Local Government (Rating) Act 2002.

8. A policy adopted under this section of the Act may provide for Council to discount the amount of the rates if payment is made by a specified date before the due date or dates.
9. The policy must be adopted using the special consultative procedure, and may be included in the LTP.²
10. Council's Rates Discount Policy has been in place since 2002, with similar policies operating under previous legislation prior to this date. The 2002 policy provided a 4% discount for urban ratepayers and a 2.5% discount for rural ratepayers allowing for a later due date.
11. The current policy (attached) states: "A discount of 2.5% will be allowed on the total rates set for the financial year, if the rates for a financial year, including any current penalties, are paid in full on or before the due date of the first instalment for that financial year."
12. At the 2 March 2021 meeting Council discussed the implications of the policy and the outcomes sought including; the financial benefits Council receives from the early payment of rates; the administrative cost associated with the policy; and funding equity principles. Council made the following resolutions:
 - 12.1. That Council agree in principle to the repeal of the Rates Discount Policy; and
 - 12.2. That Council agree to the inclusion of the proposal to repeal the Rates Discount Policy in the Long Term Plan Consultation Document in order to seek feedback from the community on the decision to repeal the Policy.
13. The LTP consultation was undertaken from 10 April to 10 May 2021 with opportunities for the community to provide feedback online, with a hardcopy or email submission, or in person at one of the community engagement events held during this period.

Community Feedback

14. Council received nine submissions addressing the proposed repeal of the rates discount policy. Five submissions supported the repeal of the policy and four opposed the repeal. All feedback received is detailed below:
15. **Submissions in favour of repealing the Rates Discount Policy:**
 - "Rates discount policy can be removed. I pay with a monthly direct debit."
 - "I support removing the early payment discount provision, as it is not equitable."
 - "We are a retired couple that have always been unable to pay our rates in full annually even when we were both working. We pay them monthly so as not to fall behind. How about some sort of monthly loyalty discount scheme to acknowledge that people always pay over time (over 40 years of never being behind for us) but cannot afford a lump sum payment."
 - "Great to see you dropping the rates discount policy."
 - "I agree that this policy should be repealed. Agree that most rate payers don't have the financial means to pay rates in full. Only the richest ratepayers do, who also have the

² The requirement to undertake the special consultative procedure for the amendment or repeal of a rates discount policy is ambiguous in the current legislation. However, the assessment of significance for this item recommends that the proposal to repeal the policy, should Council agree, be included in the LTP Consultation Document. This will ensure any legislative compliance issues are met.

highest rates. This in turn causes Council to lose out on a big chunk of rates money, especially as rates are going up District-wide”

16. Submissions opposing the repeal of the Rates Discount Policy:

- “Keep the rates discount policy. It is an incentive to pay in a lump sum. It is only 2.5% which I think should be a decent 5% or higher. Especially if rates increase by some of the large figures suggested.”
- “Dropping the rates discount policy should NOT occur. There is significant costs in additional invoices, which is why many businesses give discount for annual payment (eg insurance, car registration).”
- “In dropping the rate discount policy would be a step backwards. Although a lot of people don’t use this facility, a few more probably would if there was more incentive to pay in full therefore bringing more money into the coffers and a saving of sending out less rate demands every quarter. I would like to see this discount retained although the saving is miniscule a dollar is a dollar.”
- “Despite being a low income person it suits me much better to pay once annually. Being self-employed means I get paid fewer but larger amounts than someone on wages. I have 6 large one off bills spaced through the year so paying monthly or bi-monthly would not help me at all so I think this policy ‘not being equitable’ is totally erroneous!”

Options and Preferred Option

17. Having considered the views of the community, it is now for Council to determine whether to repeal the Rates Discount Policy, or to retain the Policy.

18. **Option 1: Repeal Rates Discount Policy** (this is the preferred option). Council agreed in principle to the repeal of the Policy at the 2 March 2021 Council Meeting. The majority (55%) of feedback received from the community supported this options, however the small number of responses on this issue make it difficult to draw too many conclusions.

19. The advantages of repealing this Policy include:

19.1. A more equitable approach to rating. The Rates Discount Policy is currently utilised by approximately 2,600 properties, at a cost to Council of over \$150,000 per annum. The policy is funded from general rates and the uniform annual general charge at an equal proportion. Where the financial benefit does not meet the total cost of providing the rates discounts, an equity issue arises. Those ratepayers who, for whatever reason, do not pay their rates in full by the first instalment, are subsidising those ratepayers who do. Ratepayers choosing to pay their rates early in full receive a financial incentive, but many ratepayers do not have this financial capacity.

19.2. Cost saving. Repealing the Policy will remove the cost of providing this discount, and the ongoing administrative cost to managing the Policy in the form of rates account management and treasury management staff time.

19.3. Aligning with the majority of community feedback received.

20. The disadvantages of repealing this policy include:

20.1. Loss of discount and monetary advantage for some ratepayers.

- 20.2. There is a small risk identified that there may be a fall in the number of ratepayers who pay their rates in full at the first instalment. This may impact on Council's borrowing costs and interest received should interest rates increase.
21. **Option 2. Retain Rates Discount Policy.** This option would reverse Council's in principle agreement for the repeal of the Policy.
22. The advantages of retaining this Policy include:
- 22.1. Ratepayers will still be eligible for a 2.5% discount if their rates are paid in full at the first instalment.
 - 22.2. Favourable interest rates in the future may enable Council to realise the cash flow advantages of the early and full receipt of rates payments.
23. The disadvantages of retaining this Policy include:
- 23.1. Not all ratepayers are in a position to receive the benefit of the discount.
 - 23.2. Current interest rates do not support the administrative costs of this policy.

Relevant Legislation, Council Policy and Plans

24. **Long Term Plan:** The LTP provides the financial framework for the setting of rates across the ten years of the plan. The proposal to remove the rates discount, and thereby the funding of this discount, will need to be included in the LTP budget.
25. **Local Government (Rating) Act 2002:** This Act provides the legislative framework which allows Council to adopt a rates discount policy.

Financial and Funding Implications

26. As detailed above, the cost of implementing this policy is approximately \$150,000 per annum. This is funded through from general rates and the uniform annual general charge. Repealing the Policy would reduce the rates requirement accordingly.

Other Considerations

27. Any change to the Rates Discount Policy will be effective from 1 July 2021 and will be publically advertised and detailed in the first rating instalment notification.

Attachments

1. **Rates Discount Policy 2018**  

Rates Discount Policy



Approved by:	Policy and Development Committee
Date Approved:	23 June 2015 (as part of adoption of LTP)
Keywords:	Discount

1.0 Purpose

To specify the policy for early payment of rates in the current financial year in terms of section 55 of the Local Government (Rating) Act 2002.

2.0 Background

Rates are set on properties in accordance with the statutory provisions of the Local Government (Rating) Act 2002. A local authority may adopt a policy for the payment of some or all rates that are identified in the rates assessment before the due date or dates for those rates in the current financial year.

This policy has been in place since 2002, with similar policies operating under previous legislation prior to this date.

This policy must be adopted using the special consultative procedure and may be included in the long-term plan.

3.0 Key Definitions

Financial year – a period of 12 months beginning on 1 July.

4.0 Policy

A discount of 2.5% will be allowed on the total rates set for the financial year, if the rates for a financial year, including any current penalties, are paid in full on or before the due date of the first instalment for that financial year.

0 Delegations, References and Revision History						
<i>5.1 Delegations - Identify here any delegations related to the policy for it to be operative or required as a result of the policy</i>						
<i>5.2 Related Documents - Include here reference to any documents related to the policy (e.g. operating guidelines, procedures)</i>						
<i>5.3 Revision History – Summary of the development and review of the policy</i>						
5.1 Delegations						
Delegation					Delegations Reference	Register
None						
5.2 References						
Title					Document Reference	
Local Government (Rating) Act 2002						
5.3 Revision History						
Revision #	Policy Owner	Date Approved	Approval by	Date of next review	Document Reference	
1	Group Manager Corporate Services	14 October 2014	Policy and Development Committee	June 2018	#901875, F335 #901931, F545	
2	Group Manager Corporate Services	23 June 2015	Council (as part of LTP)			
3	Group Manager Corporate Services	26 June 2018	Council (as part of LTP)	November 2020	#1133525	