

**From:** [Allie Dunn](#)  
**To:** [REDACTED]  
**Subject:** Response to Request for Information re Tararua District Council Rate Errors  
**Date:** Tuesday, 25 February 2025 4:57:00 pm  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[image003.png](#)  
[image004.png](#)  
[image005.png](#)  
[image006.png](#)  
[image007.png](#)  
[Adoption of Rates Postponement Policy - 15 November 2024.pdf](#)  
[Report - Public Excluded session of Council re Rates Rebate Direct Debit Error - Redacted.pdf](#)  
[Report - Investigation into Errors With Direct Debit Processes.pdf](#)

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Kia ora

I refer to your official information request dated 21 January 2025 for information regarding the Council's Rates Rebate Direct Debit Errors.

The information you have requested is outlined below. We have used the same format as the request which was divided into sections, with questions asked under each section. These are set out below, with the response to each set of questions set out within the relevant section.

### **System Operation and Maintenance**

- 1. What software system is used to calculate and manage direct debit payments for ratepayers?*
- 2. How frequently are system updates performed to reflect rate increases or changes?*
- 3. Was the direct debit adjustment process automated, or was human input required at any stage of rate recalculations?*

### **Response**

Please refer to report dated 4 September 2024, previously provided to you in response to your earlier request for information dated 8 October 2024, and also the Investigation Report included in the publicly available agenda for the Audit and Risk Committee meeting held 11 December 2024. Copies of both these reports are appended.

Answers to the above questions are provided in section 4.5 of the report dated 4 September 2024, and in sections 8 and 9 of the Investigation Report.

### **Identification of Error / Audit Responsibility**

- 4. Can you confirm whether the Council conducts annual audits specifically to verify the accuracy of rates calculations and direct debit arrangements? If so, what is the scope and methodology of these audits?*
- 5. Given that audits are presumably in place, how did the Council fail to identify the calculation errors in rates over the past seven years?*
- 6. When and how was the error in direct debit payments first identified and what internal procedures were followed upon discovering it?*

### **Response**

Please refer to the Investigation Report, which details what went wrong (section 10), and outlines recommendations for changes to systems and processes. The investigation found there was a mixture of system flaws, process errors and staffing issues that were contributing factors. For the purpose of clarification, the rates were duly assessed at the full amount. Properties were charged rates at the correct amount. The error in recalculation of direct debits for the impacted properties meant that the impacted ratepayers were not paying the full amount of rates that they had been invoiced.

### **Impact on Ratepayers**

7. *Given that affected ratepayers are eligible for rates rebates due to low incomes, what steps have been taken to mitigate financial hardship resulting from backdated rate recovery?*

**Response**

The Council adopted a Rates Postponement Policy, at its meeting held 15 November 2024 (copy attached). The purpose of this policy is to provide a remedy for those impacted ratepayers to reduce potential financial hardship directly caused by Council's error.

**Future Prevention**

8. *What specific measures (eg new audits, system upgrades, or staff training) have been or will be implemented to prevent such miscalculations in the future?*
9. *Could the Council provide a structured action plan detailing (1) key changes they will implement, (2) a timeline for completing such improvements, and (3) accountability measures to verify future accuracy in direct debit management?*

**Response**

Please refer to Investigation Report which provides the following recommendations:

*"6.0 Recommendations*

*That Council management:*

- 6.1 *Review all ratepayer accounts where a payment arrangement is in place to ensure the regular payments have been reviewed and adjusted.*
- 6.2 *Implement improved procedures to track all rates enquiries and ensure they are reviewed and actioned in a timely manner.*
- 6.2.1 *Check and clear outstanding enquiries currently in the revenue team's inbox to bring all actions in this area up to date.*
- 6.3 *Review the current management structure, resourcing, processes and accountabilities to ensure that:*
- 6.3.1 *Council has a resilient structure with a plan in place to provide cover and succession planning for key roles within the Rates & Revenue team.*
- 6.3.2 *Resourcing, and oversight of key tasks and processes, is aligned to Council expectations and policies on revenue collections and administration of Council's revenue policies.*
- 6.3.3 *A master schedule of key tasks and/or processes (including the annual calculation and revision of direct debits) is developed and monitored to ensure tasks are completed and timeframes are met.*
- 6.3.4 *Accountability for key tasks and controls is clearly outlined.*
- 6.4 *Develop a detailed annual work programme for the revenue team and ensure key deadlines and pressure points are shared with other departments and with the executive management team.*
- 6.5 *Report back to Council to provide assurance that the immediate actions have been actioned and that all ratepayers on direct debits have had their accounts reviewed.*
- 6.6 *Review the current status of debt management within Council to ensure all debts are being actively managed.*
- 6.7 *Report back to Council's Audit and Risk Committee on the final measures introduced to monitor and ensure the risk of a similar issue should not reoccur. This report should provide evidence and assurance on the effectiveness of the measures introduced.*
- 6.8 *Change the quarterly reporting on debtors to:*
- 6.8.1 *Report debts and debt management to Council's Audit & Risk committee on the basis that this is a key area of Council risk.*
- 6.8.2 *Amend the reporting so that*
- 6.8.2.1 *All debt is reported on (not just rates debtors).*

6.8.2.2 *There is reporting on credit balances.*

6.8.2.3 *There is separate reporting on direct debit customers to provide ongoing assurance that the issues remain under control.”*

The above recommendations are currently being worked through, and the final measures to be introduced will be reported back to Council.

### **Fair Treatment of Ratepayers**

10. *How does the Council define “fair treatment” in this context, particular for vulnerable groups such as low-income earners?*

#### **Response**

The Council looked at the three distinct groups affected by the error and had to balance the fairness of any decision it reached, against all of these groups. The three affected groups were current ratepayers who pay by direct debit and receive rates rebates, previous ratepayers who paid by direct debit and receive rates rebates, and all other ratepayers. Please refer to section 5 of the report to Council on 4 September 2024 that discusses the fair treatment for these groups. Also refer to section 7.3.11 and 7.3.12 of the same report, where wellbeing and equity are discussed. With regards to equity, 7.3.12 of the 4 September 2024 Council report advised the following:

*“Equity – the fairness of any decision must be considered, and consideration should be given to impacted ratepayers who have already entered repayment arrangements with Council, have repaid arrears, or have sold their property and settled all outstanding rates. In addition, Council should also consider fairness for other ratepayers who are not affected by this issue but have arrears, and who are on payment plans, with a debt collection agency or genuinely struggling with paying rates.”*

In making its decision on 4 September 2024 on the process that it would use to remedy the debts and credits in the impacted ratepayer accounts, the Council considered the options available to it and agreed that it would develop a Rates Postponement Policy to address the potential financial hardship to impacted ratepayers.

### **Addressing Sold Properties**

11. *How has the Council resolved the issue of undercharged rates for properties that were sold during the period of miscalculations?*

12. *Were the sellers informed, and what mechanisms are in place to address their share of the rates liability?*

#### **Response**

The rates have been duly assessed at the full amount. Properties were charged rates at the correct amount. The error in recalculation of direct debits for the impacted properties meant that the impacted ratepayers were not paying the full amount of rates that they had been invoiced.

The process that is followed for settling of rates upon the sale of property ensures that the liability for rates owing by the vendor on the property up until the settlement date is settled on sale of property by the vendor. This is the standard practice that happens in the sale of property. Any apportionment of rates paid or owing as at settlement date is done at that time between the solicitors acting on behalf of the vendor and purchaser. This means there is no ongoing rates liability once a property has been sold.

### **Handling of Deceased Ratepayers’ Properties**

13. *What is the Council’s approach to resolving outstanding rates for properties owned by deceased ratepayers?*

14. *How is this process managed to ensure fairness to the estates and the surviving family members?*

#### **Response**

The property owner of a rating unit is liable for payment of rates (section 12 of the Local Government (Rating) Act 2002). At the time of transfer or transmission of ownership of a property from one party to another party any outstanding debt would be settled out of the proceeds of the Estate.

#### **Caveats Against Titles**

15. *How does the Council plan to fund the legal and administrative costs associated with placing caveats on 321 properties?*

16. *What budget has been allocated to this initiative, and how will these costs impact the overall rates burden for other ratepayers?*

17. *Has the Council considered whether imposing a caveat against a property could have a discriminatory effect on potential property sellers, particularly in limiting their ability to sell or impacting the marketability of their property?*

#### **Response**

The Council does not plan to place caveats against the titles on the impacted properties. The Local Government (Rating) Act 2001 covers the liability for rates, stating in section 12 that the ratepayer for a rating unit is liable to pay the rates that are due on the unit. The rates postponement policy adopted by Council in November 2024 covers how Council will implement and administer agreements to postpone some or all of the impacted ratepayer's rates arrears. Refer to section 6 of the Rates Postponement Policy.

#### **Section 41(3) Interpretation**

18. *Can the Council provide its interpretation of Section 41(3) of the Local Government Rating Act 2002? Specifically, how does it apply to the current rates recovery issue?*

#### **Response**

To answer this question, section 41(3) must be read in conjunction with the remainder of section 41.

Section 41 sets out requirements that apply if an error in the rating information database, or rates record, needs to be corrected due to a difference between the amount of rates that was originally assessed, and the amount that would have been payable if the information entered in the rating information database or on the rates assessment had been correct.

The information entered into the rating information database, and the resulting rates assessments that were sent to ratepayers were correct.

Therefore this section of the Act does not apply as the rates had been duly assessed each year at the full amount, and invoiced correctly. Where the error came in was in the re-calculation of direct debits, which was not recalculated at the correct level to ensure impacted ratepayers fully paid their rates each year.

#### **Statutory Limitations on Rates Recovery**

19. *What are the statutory limitations for pursuing unpaid rates, and how do these limitations influence the Council's ability to recovery rates from 2017 to 2024?*

#### **Response**

The period of statutory limitation is six years. However, impacted ratepayers continued to make payments towards their rates through direct debits, with payments always being applied to the oldest debt. This means that none of the outstanding debt has aged more than six years.

#### **Transparency in Ratepayer Communication**

20. *Why has the Council not provided to every underpaid ratepayer, a clear breakdown of:  
The total rates due each year, from 2017 to 2024;  
The overdue amounts per year 2017-2024;  
The rebate entitlement amounts for each year of 2017 – 2024; and  
The actual contributions made by each ratepayer for every year, 2017-2024?*

**Response**

When determining the level of detail to provide to every impacted household, Council had to find a balance between providing enough information and too much detail, both from a customer point of view and from a resourcing point of view. Ultimately this was a matter of judgement. We have communicated with every impacted household directly, some multiple times, about how they have been impacted by the error, and each ratepayer's concerns and questions are different. Where further detail was requested by the ratepayer, such as the type of detail itemised in the question above, the detail was provided.

Note also that information on the total rates due each year, the overdue amounts owing each year, and the actual contributions made by each ratepayer is listed in each of the four rates instalment notices that are sent out to ratepayers each rating year.

**Discrepancy in Miscalculation Period**

21. *Why is the Council publicly stating that the miscalculation period spans six years when the actual timeframe from 2017 to 2024 indicates eight years? Can the Council clarify this discrepancy?*

**Response**

Clarification is provided that the miscalculation period spans the following six financial years (1 July to 30 June each year).

2018-2019

2019-2020

2020-2021

2021-2022

2022-2023

2023-2024

The first year the error occurred was the 2018-2019 financial year. This means that for some impacted households, direct debit payments were not recalculated from what they had been paying in the 2017-18 year. If they had consistently paid their rates using direct debit through the 2017-18 year, they will have cleared their rates levy for that year. However, in some cases, their direct debit payments were not recalculated to reflect the new rates levy for the 2018-2019 year. For this reason, 2018-19 is considered the first year the error took place.

This error was repeated in subsequent years until the first individual cases were brought to our attention in 2023, this was during the sixth consecutive year. It was not until a pattern started to emerge and we undertook a full investigation in March – July 2024 that we understood the extent of the error. Council contacted all impacted households individually in September, as soon as we were able to organise and compile the relevant information and secure the resources to manage the issue.

Attached to this email are copies of the three documents referenced in this response:

1. Report to Council meeting held 4 September 2024
2. Report on Investigation into Errors with Direct Debit Processes
3. Rates Postponement Policy adopted 15 November 2024 with accompanying report

Please don't hesitate to get in touch if there is any further information you require.

Ngā mihi



**Allie Dunn | Manager Democracy Services**

**Strategy and Community Wellbeing - Democracy Services | Tararua District Council**

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**From:** Allie Dunn

**Sent:** Tuesday, 18 February 2025 5:29 pm

**To:** [REDACTED]

**Subject:** Extension of timeframe for response - Request for Information re Tararua District Council Rate Errors

Kia ora

This email is to let you know that we have been working through collating a response to the questions you have asked.

There is a lot of information to go through, and as a result this is taking us longer than we expected.

This means we need to extend the timeframe for responding, and will extend this by a week to 26 February 2025.

We will do our best endeavours to finish compiling our response and send to you by this new date.

If you have any questions about this, please don't hesitate to contact me.

Ngā mihi



**Allie Dunn | Manager Democracy Services**

**Strategy and Community Wellbeing - Democracy Services | Tararua District Council**

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**From:** Allie Dunn

**Sent:** Wednesday, 22 January 2025 11:34 am

**To:** [REDACTED]

**Subject:** CM: Acknowledgement - Request for Information re Tararua District Council Rate Errors

Kia ora

This email is to acknowledge receipt of your request for information, regarding the Council's Rates Rebate Direct Debit Errors.

We will endeavour to respond to your request as soon as possible and in any event no later than 19 February 2025, being 20 working days after the day your request was received. If we are unable to respond to your request by then, we will notify you of an extension of that timeframe. As part of our commitment to openness and accountability, we are now proactively publishing copies of requests for information and the responses provided to these requests, on our website. In doing so, we will ensure we comply with the provisions of the Privacy Act 2020 and redact any personal / identifying information from any response published.

If you have any questions about this, please don't hesitate to get in contact with me.

Ngā mihi



**Allie Dunn | Manager Democracy Services**

**Strategy and Community Wellbeing - Democracy Services | Tararua District Council**

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**From:** [REDACTED]

**Sent:** Tuesday, January 21, 2025 12:05 PM

**To:** Bryan Nicholson <[Bryan.Nicholson@Tararua.govt.nz](mailto:Bryan.Nicholson@Tararua.govt.nz)>

**Cc:** Tracey Collis <[Tracey.Collis@Tararua.govt.nz](mailto:Tracey.Collis@Tararua.govt.nz)>

**Subject:** Tararua District Council Rate Errors

**EXTERNAL EMAIL ALERT:** Caution advised. This message is from an external sender. Verify the sender's identity and use caution with attachments and links.

Tēnā koe Bryan,

Please find attached:

1. Letter from Tararua Community Law with enclosed Questions for Tararua District

Council.

Your timely, yet considered response is greatly anticipated. I look forward to your response.

Ngā manaakitanga,



Tararua  
Community Law  
Te Whare Ture Hapori o Tararua

17 Gordon Street Dannevirke | | 06 356 7952 | [tararua@mancomlaw.org.nz](mailto:tararua@mancomlaw.org.nz)



## R & J Business Solutions Ltd

### Report to Tararua District Council

#### Investigation into errors with direct debit processes.

##### 1.0 Introduction

- 1.1 Tararua District Council (TDC) has identified an issue with its rate revenue collections whereby ratepayers on direct debit have either been charged too much or too little for rates. Public announcements have stated that 602 ratepayers are affected through a faulty process for calculating direct debits and that the issue dates to 2018. 281 ratepayers have overpaid \$146,758 in rates and 321 ratepayers have underpaid \$400,340 in rates.
- 1.2 The council requested an investigation into the causes of the issue and has issued an assurance to the community that a robust process will be put in place to make sure the issue will not happen again.

##### 2.0 Agreed Scope

- 2.1 To investigate and identify and document the system, process and human failures that led to the rate collection errors including the process for recording and follow up of notifications/requests from ratepayers.
- 2.2 To review the proposed remedial processes to correct the errors and of any process revisions proposed, together with recommendation on additional processes to ensure such errors do not happen again.
- 2.3 To prepare of a report outlining the causes of the rate collection errors and proposed remedial actions and process improvements to ensure this does not happen again.
- 2.4 The agreed process involved an iterative approach with further information sought and questions raised as the investigation progresses.

##### 3.0 Report Approach and limitations

- 3.1 The approach taken has been to
  - 3.1.1 Interview key staff.
  - 3.1.2 Review a sample of properties.
  - 3.1.3 Discuss and gain an appreciation of the measures being taken to remedy the errors identified.
  - 3.1.4 Review of any process or other documentation provided
  - 3.1.5 Review previous reporting to Council on the issue, reporting from auditors and regular debtors reporting to Council.
- 3.2 In making initial investigations I have been mindful of the additional pressures on staff as they work to remedy the errors identified and continue with their “business as usual” tasks.

- 3.3 The focus of this report was not look at roles, responsibilities, and workloads within Council's revenue team. It focuses on the issues and failures that led to this investigation.

#### 4.0 Background

- 4.1 Tararua District Council has a population of 19,050 and 10,457 rating units (source 2024-34 Long Term Plan).
- 4.2 Close to 1,000 ratepayers receive a rate rebate each year and of those approximately 600 pay their rates by direct debit.
- 4.3 TDC utilises a financial management system at the lower end of the scale in terms of cost and functionality. The use of TDCs systems requires more manual intervention and reliance on bespoke processes outside of the core system. Common with other similar Councils the staff structure at TDC does not have as many layers as larger Councils. This increases the importance of key reconciliations and controls and increases the risk of failure if the control mechanisms fail or are not fit for purpose.
- 4.4 Rating systems are inherently complex due to the specific legislative requirements and the requirements of each Council's specific rating structure. The pool of experienced staff is small (limited to 86 councils in NZ) so most rating staff need to be trained by each Council. The underlying property data needs to be maintained to ensure it is accurate and processes need to be run to invoice ratepayers and collect rates. The recalculation and amendment of direct debits is one of the key annual processes each Councils team must run.
- 4.5 As outlined in paragraph 7 there are 3 key components to the effective management of and collection of rates. The systems, processes and people. Each is inter-related and any weakness in one component needs to be compensated by strengthening others.

#### 5.0 Summary of findings

- 5.1 Errors, in revenue collection through direct debts at TDC, have been identified in two areas.
- 5.1.1 Direct debit customers, in receipt of a rate rebate, as previously identified to trigger this investigation.
- 5.1.2 Some customers on payment plans (agreements).
- 5.2 Evidence seen to date indicates that direct debits for other TDC customers have been, and continue to be, calculated and applied correctly.
- 5.3 The errors occurred due to failures in
- Management oversight of processes and staff.
  - The implementation and monitoring of systems used to ensure all direct debit customers had their direct debits reviewed and amended each year.
  - The management of Council debts and reporting on debt to management and Council.

- The management of ratepayer enquiries within Council's revenue team. The process used does not track enquiries and enable any visibility on what has\has not been actioned and when the actions occurred.

- 5.4 The current approach at TDC of attempting to make the impact of regular payments easier on low-income ratepayers receiving rebates has exacerbated the problems at TDC as this process adds an extra layer of complexity to existing processes.
- 5.5 Council does currently have a number of rate remissions that add to the administrative overhead associated with managing the ratepayer database. The new rates postponement policy will add to the administrative requirements, in that each ratepayer account with a rate postponement will require action to record and manage the postponement. These ratepayer accounts will need to be carefully monitored and will need to be reviewed each year to ensure the policy is correctly administered for the affected ratepayers.
- 5.6 There was nothing in the management reporting to governance that would have alerted Council to the issue.
- 5.6.1 As regular payments were still being made (even though they were for incorrect amounts) the oldest debt was continuously being paid so there were not enough direct debit customers with more than one year's rate arrears to distort the date being presented in quarterly reports.
- 5.7 Council staff have engaged with all ratepayers, who receive a rate rebate and pay by direct debit, which have been affected by the failure to recalculate direct debit amounts correctly. Where applicable refunds have been made and those who owe have been provided with a pathway to address the arrears.
- 5.8 The required measures, such as enhanced reporting and processes, to ensure this issue does not reoccur have not yet been fully scoped or developed. Understandably the initial focus has been on addressing the errors and working with ratepayers on an appropriate remedy. Therefore, it is not possible, at this stage, to give assurance to Council. Council should seek assurance once management have designed and implemented a suite of measures to ensure this issue should not happen again.
- 5.9 **Conclusion**
- 5.9.1 As this report is not to attribute blame to any one or any group of individuals, the focus is on identifying the issues that led to the errors and suggesting measures to remedy those issues to ensure the error is unlikely to happen again. TDC has loyal and dedicated staff who want to

- do their best for the community. It is sad and ironic that the very people the team had been going out of their way to assist are those that have been impacted by the compounding effect of the errors that occurred.
- 5.9.2 For something as significant as the identified errors at TDC to occur more than one thing must go wrong.
- 5.9.2.1 The enterprise system used at TDC has limited functionality and currently all calculations for direct debits at TDC are calculated in spreadsheets before the amount is loaded into the system. No rating system would have the functionality to make an allowance for rate rebates before they have been applied for or granted as the amount to be paid has been manually altered. Thus, the enterprise system used does not help.
- 5.9.2.2 A process was in place to complete the calculations for direct debts on the affected properties. However, there was no process or report to show whether direct debits for all ratepayer accounts had been changed.
- 5.9.2.3 The process required skilled people to run it, and the people needed dedicated time to complete the task before it needed to be recalculated. The knowledge was previously shared however in recent years it has relied on a key staff member to complete the task in amongst other competing priorities.
- 5.9.3 It is noted that resourcing was identified as an issue, and an additional staff member was added in 2022. The team resourcing and effectiveness has, however, been hindered due to experienced staff being away on extended leave. The revenue team also have tragically lost two staff over the past 6 years, both of which were involved in the debt collection process.
- 5.9.4 As noted in the business case for an extra resource in 2022 the key management resource in the team has continually needed to step into processing roles and has not been able to act in the management role. The manager has consistently worked extended hours trying to stay on top of workloads. Unfortunately, the key task to recalculate direct debits was not done while others such as corresponding with ratepayers and assisting ratepayers to apply for rebates was.
- 5.9.5 Too many processes and tasks are reliant on the knowledge of one single key individual in the team. This represents a major risk to Council, both in terms of the workload carried by the individual and the potential impact if the staff member were to suddenly leave. It also represents a risk in that if the manager is doing the processing who is doing the checking?
- 5.9.6 The fact that it was well known that the staff member worked long hours and was frequently at work in evenings and on weekends needs to be addressed. There was no oversight on the quantum of those hours, and it does not appear that sufficient investigation was done to find out why overtime was consistently required. The question needs to be asked. Was this, or should this have been deemed acceptable?

- 5.9.7 A mismatch of management styles between the senior manager and that key resource meant that it had been assumed that all was under control when it was not. Not enough questions were asked, nor it appears was the issue escalated sufficiently to receive the dedicated attention and resource it needed to be corrected.
- 5.9.8 Ratepayer enquiries for rates issues were passed on into an email inbox rather than being recorded, and tracked, in Council's customer relationship system (CRM). An increasing volume of emails into that inbox meant that emails were not being addressed and actioned in a timely manner and as it was just an email inbox there was no reporting on outstanding emails, nor was there a way to record when a ratepayer rang in for a second or third time to identify patterns and trends. Nor was there any oversight external to the team.
- 5.9.9 To deal with the issue and provide assurance that it will not reoccur a multifaceted response is needed. The following recommendations offer some guidance on measures Council management needs to take.

## 6.0 Recommendations

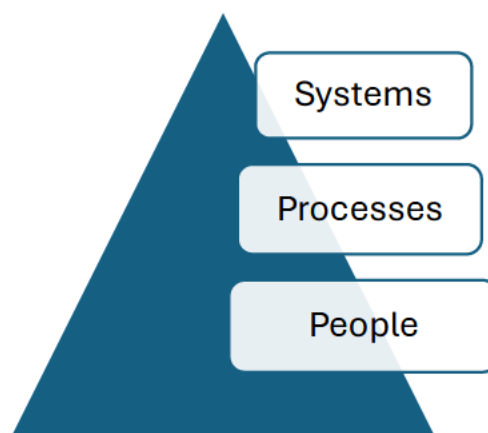
That Council management:

- 6.1 Review all ratepayer accounts where a payment arrangement is in place to ensure the regular payments have been reviewed and adjusted.
- 6.2 Implement improved procedures to track all rates enquiries and ensure they are reviewed and actioned in a timely manner.
  - 6.2.1 Check and clear outstanding enquiries currently in the revenue team's inbox to bring all actions in this area up to date.
- 6.3 Review the current management structure, resourcing, processes and accountabilities to ensure that:
  - 6.3.1 Council has a resilient structure with a plan in place to provide cover and succession planning for key roles within the Rates & Revenue team.
  - 6.3.2 Resourcing, and oversight of key tasks and processes, is aligned to Council expectations and policies on revenue collections and administration of Council's revenue policies.
  - 6.3.3 A master schedule of key tasks and/or processes (including the annual calculation and revision of direct debits) is developed and monitored to ensure tasks are completed and timeframes are met.
  - 6.3.4 Accountability for key tasks and controls is clearly outlined.
- 6.4 Develop a detailed annual work programme for the revenue team and ensure key deadlines and pressure points are shared with other departments and with the executive management team.
- 6.5 Report back to Council to provide assurance that the immediate actions have been actioned and that all ratepayers on direct debits have had their accounts reviewed.
- 6.6 Review the current status of debt management within Council to ensure all debts are being actively managed.

- 6.7 Report back to Council's Audit and Risk Committee on the final measures introduced to monitor and ensure the risk of a similar issue should not reoccur. This report should provide evidence and assurance on the effectiveness of the measures introduced.
- 6.8 Change the quarterly reporting on debtors to:
  - 6.8.1 Report debts and debt management to Council's Audit & Risk committee on the basis that this is a key area of Council risk.
  - 6.8.2 Amend the reporting so that
    - 6.8.2.1 All debt is reported on (not just rates debtors).
    - 6.8.2.2 There is reporting on credit balances.
    - 6.8.2.3 There is separate reporting on direct debit customers to provide ongoing assurance that the issues remain under control.

## Discussion

### 7.0 There are 3 inter-related components to effective management



If one of these is weak the other components need to be strengthened to compensate.

#### 7.1 Systems

- 7.1.1 It is commonly acknowledged that TDC's financial management **system** has its limitations compared to others in the limited number of Local Government information systems used in NZ. These limitations mean an increased number of processes and reporting needs to be done outside of the system using ad hoc reporting and **processes**.

#### 7.2 Processes

- 7.2.1 The processes performed outside of the core system are reliant on staff with a higher degree of skills and knowledge. Any checks and balances need to be developed and managed by TDC staff. This inherently increases the level of organisational risk. Some of this can be mitigated from having well documented processes and robust systems however running those processes, operating systems and maintaining process documentation relies on **people**.

### 7.3 People

- 7.3.1 Managing the risk of processes failing is reliant of Council having good quality assurance and resilience within team resourcing so that Council is not exposed due to the sudden departure of sickness to key staff. While it may be easy to introduce a new resource it is a lot harder to train that resource and retain those learnings within the team and wider organisation.

## 8.0 The TDC approach to calculation of direct debits for customers in receipt of a rate rebate.

- 8.1 Since around 2014-15 staff at TDC have been making an allowance for a potential rate rebate credit when the direct debits, for those assessed as having previously been eligible for a rebate, are calculated. The allowance is based on the amount of rebate received in the previous year.
- 8.2 The process involves manual intervention and calculations for approximately 600 ratepayer accounts. This process is managed separately after the bulk of other direct debits are calculated and adjusted for the year.
- 8.3 The volume of ratepayers in receipt of rate rebates and of those paying by direct debit has grown, increasing the workload to manage this process.

## 9.0 Rebate Applications

- 9.1 TDC staff identify all ratepayers who received a rebate in the previous year and send rebate applications out to those ratepayers.
- 9.2 Those sent a letter represent the group for which a separate manual process needs to be run to recalculate and load new direct debit amounts each year.
- 9.3 The actual rebate applications are received and processed from September onwards each year.

## 10.0 What went wrong?

- 10.1 Each year direct debit calculations requiring manual intervention were set aside when the bulk of direct debits were adjusted. The process to recalculate all properties needing manual intervention was not completed to allow any form of bulk update to the direct debits for these properties.
- 10.2 What did happen is some individual ratepayer accounts and direct debits were amended following ratepayer enquiries.
- 10.3 It seems the increasing size of the issue developing for affected ratepayers was not effectively escalated nor were any potential signals, that the rates team had issues, correctly interpreted by management and management did not seek appropriate assurances that any issues mentioned in conversations were being adequately dealt with. It appears there was the belief that any ratepayer paying by direct debit must be ok as Council controlled the payment process.
- 10.4 The lack of reporting below the high-level reports delivered to governance also meant senior management were not alerted to the growing issue.

- 10.5 A flow of ratepayer enquiries asking why their accounts appeared to be incorrect did not result in action or in an effective escalation of the situation. Any escalation that occurred appeared to be to the rates team that was already struggling to manage the situation.
- 10.5.1 Ratepayer enquiries on their direct debits and account balances were forwarded to the revenue team by email if a staff member could not deal with it immediately. Some were actioned and some were not due to the volume of enquiries and lack of effective management of the email inbox used for enquiries.
- 10.6 The impact of the failure to complete the process to recalculate direct debits for the affected ratepayers grew exponentially over time. In particular, the impact was exacerbated by the higher rate increase over the past 3 years and the compounding effect of the failure to adjust direct debit amounts. The following table shows the annual shortfall, in rates collected, is the direct debit had not been adjusted from 2020-21 levels. This clearly shows an acceleration in the annual shortfall in the past 3 years. It appears that the staff involved did not fully appreciate the cumulative effect that, failing to complete the process and escalate the matter, had on a broader group of ratepayers.

Year	Annual Rates	Change from previous year	Cumulative annual change
24-25	3,736.66	436.69	1,367.86
23-24	3,299.97	505.91	931.17
22-23	2,794.06	258.41	425.26
21-22	2,535.65	166.85	166.85
20-21	2,368.80		

## 11.0 Systems that failed

Revision of Direct Debits for ratepayers in receipt of Rate Rebates and those on payment agreements.

- 11.1 There is a documented process to review and update direct debt amounts each year on those customers who usually receive a rate rebate.
- 11.2 The process requires additional steps and calculations due to the adopted process of making an allowance for the likely application and receipt of a rebate. This requires a check to ensure the ratepayer (property owner) has not changed and of the last rebate amount to make an estimate of the likely rebate amount for the current year.
- 11.3 Prior to 2018 a separate resource managed the process of recalculating direct debits for those receiving rate rebates. Following the sudden loss of that individual the task fell back onto the manager.
- 11.4 Completing this manual process requires it to be completed within a relatively short period of time otherwise the data needs to be refreshed with the calculations run again. Due to competing priorities the task was not being completed in time and was constantly a task that got started but never



completed. If the failure to complete the process had only happened once it would have corrected itself the following year. Unfortunately, this process was not completed for multiple years resulting in the situation Council, Ratepayers and Council staff now find themselves in.

#### Management of email inbox

- 11.5 A system had been developed to manage the email inbox. Emails are “flagged” based on the action required and different staff members are responsible for different areas. As emails are dealt with the emails are moved out of the inbox.
- 11.6 Over time as the volume increased the system appears to have fallen over to the point where it is not clear what emails require action. A review of a small sample showed that some that appear to be still outstanding have been actioned. At the time the inbox was reviewed the inbox contained over 1200 emails. 500 of which indicated they were unread. A review of the ratepayer accounts for 2 “unread” emails in the inbox were checked and action had been taken on the ratepayer account around the time of the email. Thus, it is difficult to ascertain just how many items of email correspondence have not been dealt with.
- 11.7 An additional, temporary, resource has now been brought in to try and work through the outstanding items in the inbox.
- 11.8 A new system to manage emails and customer correspondence for rates matters needs to be developed to ensure emails and other ratepayer enquiries are dealt with in a timely manner.

### **12.0 Debt Management – Payment Arrangements**

- 12.1 A review of a sample of properties paying by direct debit where an agreement is in place to pay off arrears indicates that there are some properties where the amount being paid is not sufficient and others where the account is in credit.
- 12.2 Therefore, Council management should review all ratepayer accounts subject to a payment arrangement to ensure the current direct debit amounts are correct.

### **13.0 Debt Management – General**

- 13.1 Often when workloads are high the active management of debts is the first thing that gets behind. It is often the task that staff review when they have time, especially when other areas have fallen behind. Given that this review has identified that some existing debt repayment arrangements have not been reviewed it is likely that the management of more recent debt arrears may need attention.
- 13.2 Therefore, Council management should review the current status of the management of Council debts and the associated policies and guidance notes.

#### **14.0 Proposed remedial actions to ensure the errors identified do not reoccur.**

- 14.1 The immediate focus has been addressing the under and over payments affecting ratepayers.
- 14.2 The proposed measures to provide assurance have not yet been developed or implemented.
- 14.3 When management have developed and implemented the suite of measures to ensure the issues do not reoccur, they should be checked and validated to provide Council with assurance that the measures are sufficient to fully protect Council going forward.

### **Explanation of and Discussion on Processes**

#### **15.0 TDC process for recalculating direct debits each year**

- 15.1 Based on observations the current process at TDC involves
  - 15.1.1 Data is extracted from the rates system into a spreadsheet that has different tabs for different DD types (weekly, fortnightly, rebate, agreements etc.)
    - 15.1.1.1 The data is reviewed, and the calculations of the “normal” direct debit amounts are then loaded into the rates system and applied for a set date (after allowing for the required notice of change).
    - 15.1.1.2 Properties involving rate rebates and agreements are excluded from the processing at this stage on the basis that they will be dealt with separately.
    - 15.1.1.3 In recent years there does not appear to have been any process to review these with any form of bulk upload to update direct debit amounts.
  - 15.1.2 The errors that have occurred are due to staff not prioritising and allocating time to review and amend direct debits for ratepayers with rate rebates and agreements
- 15.2 Discussion with another site revealed that Council’s rates system now has the functionality to calculate direct debits so this functionality should be explored. It may simplify the process for the bulk of direct debits however it is likely that processes outside the system will still need to be used for those on agreements (and rebates if the current process continues).
- 15.3 Council staff should reach out to their colleagues at other Councils to develop a better process at TDC going forward.

#### **16.0 Standard Direct Debit Processes for Councils**

- 16.1 The standard approach to calculating direct debits is simple. The number of payment periods left before the end of the year is divided by the amount that needs to be paid to calculate the amount payable for each direct debt instalment. As long as the calculation is done correctly, and the direct debit payments are honoured, the rates payable will be cleared.

- 16.2 There are two categories where the calculation is not so simple and some manual intervention, or additional steps, is required.
  - 16.2.1 Ratepayers who receive rate rebates
    - 16.2.1.1 The initial calculation is based on the full year's rates excluding any rebate.
    - 16.2.1.2 After a rebate has been approved and credited against the property the direct debit is recalculated, reducing the periodic payments over the rest of the rating year.
  - 16.2.2 Ratepayers who are on a payment plan to pay off arrears over a period longer than the current rating year.
    - 16.2.2.1 The periodic direct debit should be a combination of the amount required to repay current rates plus the assessed additional periodic amount required to pay off any property arrears.

**17.0 What is the problem with a process that makes things easier for low-income ratepayers by anticipating the receipt of a rebate when the direct debit is set up at the beginning of the year.**

- 17.1 The normal process would see the initial direct debit amounts based on the rates owing (any balance brought forward plus current rates, less amounts paid so far).
  - 17.1.1 With this process the onus is on the ratepayer to get a rebate application in if they want to reduce the amounts they pay. Once the rebate is approved and processed the onus moves to Council to adjust the direct debit.
    - 17.1.1.1 If the ratepayer fails to apply or is unsuccessful the correct rates are paid as the direct debit was based on the full years rates (plus or minus any opening balance)
    - 17.1.1.2 If Council fails to adjust the direct debit the ratepayer will finish the year in credit to the amount of the rebate. This credit will automatically be offset against the next year's rates. So next year the payments are proportionately lower.
  - 17.1.2 As an example, if the direct debit is received and a rebate is subsequently applied for and credited to the account, and the direct debit amount is not adjusted, the account will be in credit at the end of the year by the amount of the rebate. This credit would be offset against the following years rates when that direct debit amount is calculated.
- 17.2 The key issues with a process that anticipates the receipt of a rebate before it is granted are: -
  - 17.2.1 This approach means that if the annual rates are \$3,750 and the expected rebate is \$750 the direct debit is calculated to only pay \$3,000 out of the \$3,750 rates liability for the year.
    - 17.2.1.1 So, in effect Council officers are offering an interest free credit to the ratepayer before there is any legal entitlement.
    - 17.2.1.2 Therefore, such an approach should be approved through a documented operational policy.

- 17.2.2 No systems have functionality to manage a process that anticipates a rebate prior to approval so any calculations and actions to set up or amend direct debits requires manual intervention.
  - 17.2.2.1 A direct debit is usually based on the balance owing on the ratepayer account. That balance is not reduced until the rebate has been approved and a credit applied (with funds paid to Council by DIA).
  - 17.2.2.2 So manual calculation is required to allow for the rebate in advance and the expected rebate amount must be estimated.
- 17.2.3 If either the rebate is not approved, or the amount approved is different to what was anticipated the direct debit amount needs to be recalculated to ensure the correct rates are paid during the year.
  - 17.2.3.1 This requires a second calculation to adjust the direct debit amount (a manual calculation at TDC).
  - 17.2.3.2 But how does Council know the rebate will not be applied for? That fact is not known for certain until the end of the year.
  - 17.2.3.3 The application can come in at any time – there is no urgency for the ratepayer to apply as Council has already assumed the ratepayer will get a rebate.
  - 17.2.3.4 To manage the associated risk with the process Council staff need an additional process to check which rebates, for which an allowance has been made, have not been applied for.
    - 17.2.3.4.1 Even though Council has anticipated the rebate in good faith the ratepayer will not be happy if the assumptions made are incorrect and the ratepayer unexpectedly find they owe additional funds to Council.

## 18.0 What do other Councils do with rate rebates

- 18.1 Most Councils will only adjust a direct debit payment amount after a rate rebate has been approved and credited against a rate account. Usually, part of the process is that when the rebate is credited to the account the direct debit is recalculated.
- 18.2 Enquiries have identified another Council using the same software solution that is also making allowance for the receipt of rebates in advance of applications being received and processed.
- 18.3 Officers for that Council indicated that they are finding the processes to manage direct debits for rate rebate customers “problematic” and are interested to see if TDC might develop some processes that will make their life easier. The comment made was that they kept on top of the issues because they were aware of the issues and worked closely as a team to keep on top of things, rather than through having robust systems that can adequately manage the process.
- 18.4 The advice was that since an upgrade 12 months ago the core system functionality allows for the bulk of direct debits to be set up each year

however the direct debits for ratepayers on agreements and those in receipt of rate rebates required manual intervention.

- 18.5 For properties that have historically received a rebate a spreadsheet is used to calculate the revised direct debits based on the assumed rebate level per property. The periodic amounts are then updated in the system.
- 18.6 Manual processes are relied on to ensure rebates are received and to change for any changes to the regular direct debit amounts.

### **Information Sources for the review**

- 18.7 Interviews and discussions with key Council staff.
- 18.8 Viewing of Revenue email inbox.
- 18.9 Discussions about and documentation on and process taken to calculate direct debits at TDC.
- 18.10 Use of Council's financial information system to enquire on individual ratepayer accounts to view transaction history.
- 18.11 Review of Council agendas to view reports to TDC governance for reporting on debtors
- 18.12 Reports from Council's auditors
- 18.13 System process notes

## Report

Date : 4 September 2024  
To : Mayor and Councillors  
Tararua District Council  
From : Peter Wimsett  
Chief Advisor  
Subject : **Rates Rebate Direct Debit Error**  
Item No : **4.1**

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### 1. Recommendation

- 1.1 *That the report from the Chief Advisor dated 16 August 2024 concerning the Rates Rebate Direct Debit Error be received.*
- 1.2 *That Council remedies the debts and credits evidenced in the Ratepayer accounts opening balances on 1 July 2024 by:*
- 1.2.1 *Applying the Local Government (Rating) Act 2002 process to either refund overpayments/credits or reduce the Direct Debits this Rating year.*
- 1.2.2 *Requiring that current direct debit payments are adjusted to equate to rates for the current year; and*
- 1.2.3 *Addressing the potential financial hardship to ratepayers who receive rates rebates and pay by direct debit caused by the Direct Debit recalculation error; and*
- 1.2.3.. *Introducing a Rates Postponement Policy with a specific postponement provision on this matter; and*
- 1.2.3.. *Consider introducing a new Rates Remission to the Rating Remission Policy with a specific provision on this matter; and*
- 1.2.3.. *Directing the Chief Executive to consult on these policies in accordance with the principles in section 82 of the Local Government Act 2002.*

## **Executive Summary**

A systemic error has occurred over several years due to the failure to recalculate direct debits, impacting a relatively small group of ratepayers who receive rates rebates and pay by direct debit.

This issue affects a relatively small number of ratepayers: 252 ratepayers are in arrears of more than \$1, and 207 have overpaid more than \$1, out of a total of 10,400 ratepayers. This represents approximately 2.4% of the total ratepayer base who owe money to Council and 2.0% we owe, with 96.6% of ratepayers in the Tararua District unaffected.

The debts of \$402,174 and credits of \$147,201\* as at 30 June 2024 span six years and have accumulated over a period in which approximately \$183 million in rates have been collected (including GST). (\*excludes one intended overpayment by a Ratepayer)

However, this does not lessen the impact on those affected ratepayers, who now face both a debt and a greater-than-expected increase in their direct debit payments to prevent further issues. Others (who are in credit) may wish to have a refund of their credit balances.

The affected ratepayers who are in arrears have retained their funds over these years and benefited from paying lower direct debit payments and not accumulating interest or penalties on unpaid amounts. Those in credit have provided the Council with an advantage in cash flow.

As a result, as of 30 June 2024, there are rates balances either owed to the Council or to the ratepayer. There are two issues which Council must rectify.

- Direct debits need to be corrected for the 2024/25 rating year.
- Opening balances owed (arrears and credits) must be remedied.

The cause of the error is under internal review, and Council officers are developing improved systems and processes. Our internal capacity to manage the error, assist our customers, and provide remedies is also being considered.

We acknowledge the potential damage to the Council's reputation and to the trust in our systems. We apologise to the community for this error and have developed a communications plan to explain and address this issue, which will include working directly with those who have been affected.

Council needs to use the legislative tools available to ensure that the process is robust and for transparency. The ability to write-off rates is constrained by Council's obligations under the Local Government Act 2002 and Local Government (Rating) Act 2002.

We will be recommending to the Council that it directs the Chief Executive to consult with the community on a proposed Rates Postponement Policy and possible Rates Remission that have been developed to respond to this specific situation and address the potential financial

hardship for the affected ratepayers. This will provide an opportunity for the community to provide feedback and make submissions on the policy and the proposed relief.

## **2. Reason for the Report**

- 2.1 To inform the Council and the community of an administrative error that has persisted over several years, resulting in the failure to increase or reduce direct debit payments for those receiving rates rebates.
- 2.2 To acknowledge the systemic and administrative errors made by the Council and to apologise to the community.
- 2.3 To present the Council with options for resolving this error and to seek a resolution.
- 2.4 To address the issue promptly, given that the 2024/2025 rates have been set and rates invoices have been issued to ratepayers.
- 2.5 To address the increasing complaints and inquiries, including requests from lawyers representing individual ratepayers.
- 2.6 To initiate a communications plan as outlined in Appendix 3.
- 2.7 To seek approval for the development of a Rates Postponement Policy and new Rates Remission, and for public consultation on those items.

## **3. Background**

- 3.1 The Direct Debit payment system is a critical function of the Council, enabling the efficient collection of funds. It may be used for customers to repay any debt owed to the Council and is generally used for recurring debts, including rates and water billing. The New Zealand banking system requires approval from the customer, the bank account holder, for another party to withdraw funds from an account. Changes to the amount can only be made with 30 days' written notice.
- 3.2 This system provides peace of mind that payments are made on time in a manner that suits the customer best, such as weekly, fortnightly, monthly, on the due date, or annually, without penalty.
- 3.3 Almost half of all ratepayers in the Tararua district make payments by Direct Debit, reducing the chance of error, which is more common when individuals make payments themselves. Errors can occur when due dates are missed, amounts are incorrect, or bank references are wrong.
- 3.4 For this reason, the Council prefers and actively promotes the use of Direct Debits to pay rates. Council has a remission on rates penalties where the ratepayer has entered a direct debit arrangement with the Council.



3.5 The Department of Internal Affairs (DIA) manages the rates rebate scheme. Under this scheme, low-income homeowners can apply for a partial rebate of their rates each year. The rebate application can be made at any time during the financial year. The rebate is applied to the ratepayer’s account and requires a manual recalculation of the ratepayer’s Direct Debit payments.

3.6 Appendix 2 shows the rates rebate system and eligibility amount/income table.

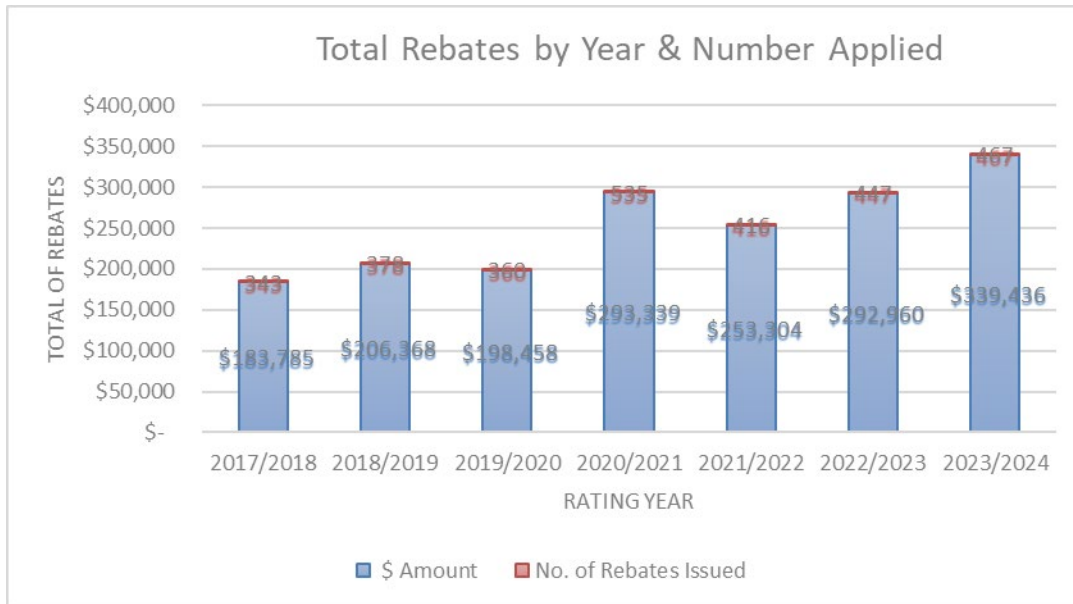
**4. Description of the Issue**

4.1 An ongoing administrative failure relating to processing and adjusting direct debit payments for ratepayers who receive a rebate under the DIA rebates scheme, has resulted in the following issues:

- Significant arrears have accumulated for 252 ratepayers who have not being paying enough through their direct debits.
- Credit balances have accumulated for 207 ratepayers who have been paying too much through their direct debits.
- A potentially significant increase is now required to the direct debit payment amounts of the affected ratepayers to bring these payments up to cover the 2024/2025 rates assessment amounts.

**Rate Direct Debit Balances and Averages**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
\$ Rates Owed to Council	\$ 3,615	\$ 34,969	\$ 85,532	\$ 130,751	\$ 206,413	\$ 401,240
\$ Rates Owed to Ratepayers	-\$ 22,818	-\$ 33,198	-\$ 65,960	-\$ 88,831	-\$ 108,617	-\$ 166,142
Net Balance	-\$ 19,203	\$ 1,771	\$ 19,572	\$ 41,920	\$ 97,796	\$ 235,098
No. of Rates Owed to Council	263	206	216	191	216	252
No. of Rates Owed to Ratepayers	145	120	130	171	185	207
\$ Rates Owed to Council	\$ 14	\$ 170	\$ 396	\$ 685	\$ 956	\$ 1,592
\$ Rates Owed to Ratepayers	-\$ 157	-\$ 277	-\$ 507	-\$ 519	-\$ 587	-\$ 803



**Change in Gross Debt (inc GST) as a Proportion of Rates**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Rates (Annual)	\$25,535	\$26,981	\$27,414	\$ 30,690	\$ 34,206	\$ 38,960	\$183,785
Change in Debt \$000's	\$ 4	\$ 31	\$ 51	\$ 45	\$ 76	\$ 195	\$ 401
% of Rates Revenue	0.01%	0.12%	0.18%	0.15%	0.22%	0.50%	0.22%

**Number of Rate Assessments by Range of Amounts Owed to Council**

Grouping	No. of Ratepayers	Total Rates per Group	Average Debt	Weekly DD Over 12 Months
\$0 to \$100	14	\$ 663	\$8	\$0
\$100 to \$200	11	\$ 1,799	\$164	\$3
\$200 to \$1000	78	\$42,606	\$546	\$11
\$1000 to \$2000	61	\$95,923	\$1,573	\$30
\$2000 to \$3000	62	\$147,985	\$2,387	\$46
\$3000 to \$6500	26	\$113,199	\$4,354	\$84

<b>Total</b>	<b>252</b>		<b>\$402,174</b>	
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- 4.2 The Direct Debit payments for the affected group have not been recalculated for approximately six years and have therefore not been increased to account for rates increases over this period. This has resulted in rates arrears accumulating for this group.
- 4.3 The administrative errors first arose during the 2018-2019 year and have been cumulative since then. The number of affected rating units is identical in 2018/2019 and 2023/2024 but fluctuated in the intervening years. This may have been due to some ratepayers voluntarily making payments or because of outstanding balances being settled following the death of a ratepayer or at the time of sale or transfer of a rating unit.
- 4.4 Rates have been duly assessed each year at the full amount. The ratepayers have not in any way contributed to the errors occurring.
- 4.5 We have identified a systemic error due to the absence of an automated rating database process. We do not currently have a software application to manage DIA rates rebates for the recalculation of Direct Debits, and these are processed manually when received. The lack of an automated process and an administrative lapse has allowed human error to persist for several years.
- 4.6 The effects of this error have been exacerbated over the past few years due to the more significant increases in Council rates. In the initial few years rates increases were much lower so the error was not as obvious.
- 4.7 We now seek to address the inequity this error has created and apply remedies.
- 4.8 We will also address the systemic failure and fully investigate how this occurred.
- 4.9 As noted above, this issue affects a small, specific group of ratepayers who pay rates by Direct Debit and receive a rebate on their rates each year. The remaining 96% of the ratepayers in Tararua are unaffected.

**5. People likely to be affected under LGA S78(1)**

- 5.1 There are three distinct groups affected:
  - Current Ratepayers who pay by Direct Debit and receive rates rebates.
  - Previous Ratepayers who paid by Direct Debit and receive rates rebates.
  - All other Ratepayers.

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- 5.2 Current Ratepayers who pay by Direct Debit and receive rates rebates may have accumulated arrears due to their direct debit payments not being increased to account for rates increases or due to them receiving a reduced rebate amount.
- 5.3 Previous Ratepayers who paid by Direct Debit and received rates rebates during this period may have sold their properties or moved, may now pay by other means, or no longer be eligible for rebates, or have passed away, with an estate that may exist or have been settled. If a ratepayer has moved to a new property, the rebate follows them, while the debt remains with the property and is usually part of the settlement. If there were unpaid amounts at year-end and no rebate was received, the normal system direct debit calculation could be run, and the amount recovered the next year.
- 5.4 For all other Ratepayers potential inequity may arise as they may have been treated differently or not had the same remedies presented to them.
- 5.5 The affected ratepayers will require clarification on the extent of the problem, its implications for them, and Council's approach to resolving both the arrears or credit and the adjustment of direct debits. The Council's approach needs to be consistent and clearly communicated.
- 5.6 The wider ratepayer base will also have an interest in this matter, as the proposed options may impact the Council's income or levels of service. The Council's approach needs to be consistent and clearly communicated, with detailed implications of the decision.

## **6. System Improvements**

- 6.1 Officers have identified the problem and put in place controls, specifically:
  - 6.1.1 Automated the entire Direct Debits calculation process (including the manual process for ratepayers on receiving rates rebates); and
  - 6.1.2 Changed process to calculate the appropriate Direct Debit amount based on the rates due for the year and adjust it only after the rates rebates application has been lodged, approved and payments received from DIA; and
  - 6.1.3 A daily process that captures receipts of rates rebates which will trigger the Direct Debit adjustment process; and
  - 6.1.4 Automated reports that highlight exceptions where total Direct Debit amounts do not match the total rates due for the year.

## **7. Considerations for evaluating options.**

- 7.1 The legal implications of this decision are covered below in paragraph 8.

- 7.2 The framework for this decision making is the Local Government Act 2002 (the LGA) and the Local Government (Rating) Act 2002 (the LGRA).
- 7.3 Each of the following considerations are also included in the Options Analysis table attached as Appendix 1 and detailed in paragraph 10.
- 7.3.1 Section 44 of the LGA - defines certain unlawful losses for which elected members may be personally liable (in certain very specific circumstances). “Unlawful losses” include where a local authority has “intentionally or negligently failed to enforce the collection of money it is lawfully entitled to receive” (section 44(1)(d)).
- 7.3.2 Section 77(1)(a) of the LGA requires officers to identify all reasonably practicable options to enable decision making. Officers have identified and presented all reasonably practicable options below with relevant considerations, risks and limitations for each option outlined. For completeness, and as part of the legal advice obtained, officers have had the options reviewed to ensure no options have been excluded, and that the implications of all options are captured and brought to Council’s attention in making this decision.
- 7.3.3 Section 78(1) of the LGA requires consideration of the views of people likely to be affected by or have an interest in the matter. We have outlined above the relevant groups affected by this decision and will ensure their interests and views are considered when assessing options.
- 7.3.4 Section 100 of the LGA requires consideration of the impact of any option on the balanced budget requirements for Council.
- 7.3.5 Section 101(1) and 101(3)(b) of the LGA require consideration of Council’s obligation to exercise prudent financial management.
- 7.3.6 Section 41 of the LGRA – deals with the issue of an amended rates notice (invoice) where there is an error in the original invoice, and the ability of Council to recover amounts where the amended rates assessment is more than originally assessed, and to refund where less than originally assessed.
- 7.3.7 Section 65 of the LGRA imposes a limitation period, whereby rates become unrecoverable 6 years after the last instalment payment became due in any year. This must be considered when assessing options.
- 7.3.8 Risk to Council – this situation poses a risk to Council’s reputation and trust within the wider community. There is a risk that other ratepayers will lose trust in direct debit payments and/or the accuracy of their rates invoice. This may cause anxiousness to ratepayers and lead to an increase in rates enquiries.

7.3.9 Cost to administer – consideration must be given to staff costs and resourcing required in resolving this matter, which will likely involve diverting staff from current priorities.

7.3.10 Legal Challenge – given the interest the affected ratepayers and wider community may have in this decision, and the financial impact the decision may have on the affected group, there is the potential for any decision to be legally challenged. Any decision made by Council may be subject to judicial review; hence this report needs to be comprehensive, and the decision-making process followed needs to be robust. The decision and report need to promote equity, transparency, and reflect the considerable public interest in this decision.

Council management have obtained legal advice regarding the remedies available in this situation, risks and limitations associated with each remedy, and the source of the discretionary powers that can be exercised either by the Chief Executive or Council itself. This advice is discussed at paragraph 8 below.

Management have also had this report legally reviewed to ensure that all relevant considerations have been considered in presenting options to Council.

7.3.11 Well-being – consideration must be given to potential financial hardship caused by any decision Council makes, and any decision should be aligned to Council’s affordability principle in the Long-Term Plan 2024-2034. There is a risk that impacted ratepayers will suffer financial stress or other wellbeing impacts.

7.3.12 Equity – the fairness of any decision must be considered, and consideration should be given to impacted ratepayers who have already entered repayment arrangements with Council, have repaid arrears or have sold their property and settled all outstanding rates. In addition, Council should also consider fairness for other ratepayers who are not affected by this issue but have arrears, and who are on payment plans, with a debt collection agency or genuinely struggling with paying rates.

7.4 To mitigate these risks, Council must operate within its legislative framework, ensure open and transparent communication, take accountability for the error, act fairly and equitably, engage directly with impacted ratepayers, and promptly investigate and rectify the underlying problem. Council must be prepared and resourced to assist impacted ratepayers with this process and know where to refer ratepayers who require additional support.

## **8. Legal advice received and considerations.**

Council’s management has sought legal advice, and this advice is discussed below.



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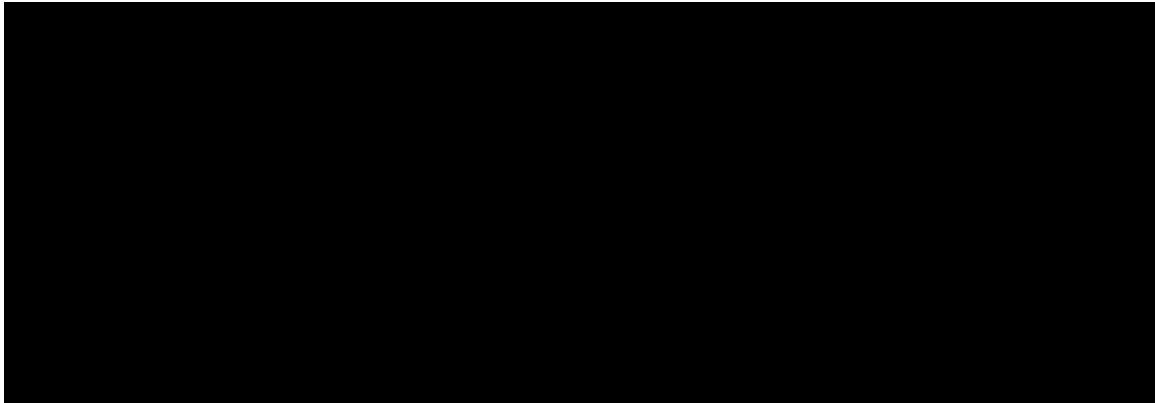
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## **9. Significance Assessment**

- 9.1 This matter is not considered significant when assessed in terms of Council’s policy on significance and engagement. It directly affects a relatively small number of Ratepayers whilst the financial effect on the remaining ratepayers is minor.
- 9.2 Any option selected to remedy this issue will need to be considered alongside this policy.

## **10. Resolving the Problem – Options Analysis**

- 10.1 Refer to Appendix 6 for the summary of analysis of the 5 options against the considerations in Paragraph 7 and 8.
- 10.2 The options explored below and in Appendix 1 are for resolving the issue for those affected ratepayers who have outstanding arrears owed to Council due to the direct debit error.
- 10.3 Council will manage those ratepayers with a credit amount as we normally would and present options to them for resolution, i.e. either providing a refund, or providing the option to have these amounts paid towards current rates.
- 10.4 Five options for resolving this error have been identified by officers and are detailed below. It should be noted:
  - 10.4.1 While the direct debit amounts have not been adjusted for this group, the rates invoices and rates assessments issued during this period have been correctly issued and there has been no error made in assessing and setting the rates.
  - 10.4.2 The rates arrears assessed for each year for this period are therefore legally able to be recovered by Council in full.

10.4.3 Officers have considered Council's current remissions policy adopted in the 2024/34 LTP and note that it does not respond to the situation. Council does not have a rates postponement policy.

10.5 **Option 1 – Full write-off of arrears.**

10.5.1 A write-off rates was initially considered as it would acknowledge that the error is on Council's part, and the potential financial hardship or stress for this group caused by Council's systemic error, and the significant increase some will be facing with their direct debit amounts being brought up to today's rates.

10.5.2 However, this fails to acknowledge the interest of other ratepayers in this matter i.e. affecting level of service and fairness considerations.

10.5.3 Under section 90A of the LGRA, the chief executive **must** write off any outstanding rates that, in the chief executive's opinion, cannot reasonably be recovered.

10.5.4 It is not considered that a blanket decision to write-off rates under this section is appropriate or that it would be reasonable, as there are several options for recovering the arrears that would be reasonable in the situation.

10.5.5 Another mechanism for write off could be provided by Council exercising its broad powers under section 12 of the LGA to decide to write off the arrears. However, consideration should be given to section 44 of the LGA where elected members can be personally liable and particularly 44(1)(d) "intentionally or negligently failed to enforce the collection of money it is lawfully entitled to receive".

10.6 **Option 2 – Partial write off arrears.**

10.6.1 As with Option 1 above, need to consider section 44 of the LGA. A partial write-off would have similar considerations as Option 1 but provides further options to consider matters of equity.

10.6.2 Interest and penalties will not be applied on the balance owing.

10.6.3 Acknowledges the interest of other ratepayers i.e. affecting level of service and fairness.

10.7 **Option 3 – Payment plan**

10.7.1 The LGRA provides several tools for Council to collect rates, one of which is to enter payment plans with ratepayers.

10.7.2 Council can consider longer term payment plans (up to 5 years) to ease the burden on ratepayers, acknowledging this is Council's error and there may already be

significant increases for this group with their direct debit amounts being brought up to today's rates.

10.8 Interest and penalties will not be applied on these amounts owing.

10.8.1 This option acknowledges the interest the broader ratepayers have in this matter as well as Council's obligation to collect rates that have been duly and legally set.

10.9 **Option 4 – Rates postponement**

10.9.1 Council has specific powers under LGRA section 87 to postpone rates if it has adopted a postponement policy under LGA section 110. This may allow Council to postpone all or part of the rates on application by the individual Ratepayer.

10.9.2 This option acknowledges the error is on Council's part and occurred over several years and consequently it is not fair to expect the rates arrears to be paid urgently. The only exception might be for any pre-existing balances, which the policy will be able to limit.

10.9.3 It acknowledges the potential financial hardship or stress for this group caused by Council's systemic error, and the significant increase some will be facing with their direct debit amounts being brought up to today's rates.

10.9.4 Interest and penalties will not be applied on these amounts owing.

10.9.5 For this option, as Council does not have a postponement policy, a policy must be developed, and this would require public consultation in line with the requirements under s82 LGA. This is a transparent way to resolve the issue and would allow for the community to provide feedback and make submissions on the policy as well as the proposed remedies.

10.9.6 We consider this option is, on balance., the safest, most transparent, and most equitable option. It ensures a robust process is followed and the community can be heard on the proposed policy and remedies.

10.9.7 The effective date of the postponement can be specifically determined by Council either the closing balance as of 30 June 2024 or a later date.

10.9.8 Council can delegate its powers to the Chief Executive or delegate, to set the postponement period, to a date or event in the future, such as to a date in the future (example, + 25 years) or when the property ownership transfers. We will seek Council's direction on this. A draft Postponement Policy is attached in Appendix 5 for Council consideration prior to a final legal review.

10.10 **Option 5 – Rates postponement and remission.**

- 10.10.1 Council has specific powers under LGRA section 85 to also remit rates if it has adopted a remission policy.
- 10.10.2 This option is similar to Option 4 but allows for Council to set an amount to remit before postponing the remaining balance. It has an element of goodwill acknowledging Council's error.
- 10.10.3 There are also some administrative considerations - it has been identified that there are several small amounts of arrears that can be remitted, thereby reducing the need to administer many individual postponements.
- 10.10.4 The additional remission would also need consultation, and this will allow more detailed consideration of this option. It would provide general Ratepayers to make submissions on the fairness of this remission.
- 10.10.5 A draft Remission is attached in Appendix 5 for Council consideration prior to a final legal review.
- 10.10.6 The application for either postponement or remission remains optional, and Ratepayer may still choose to repay the outstanding balance in full or enter a payment plan.

## **11. Consultation and engagement**

- 11.1 A Draft Communication Plan has been prepared and is in Appendix 3. This suggests the following key matters be considered:
  - Targeted engagement with the affected ratepayers.
  - Support / drop-in clinics.
  - Engaging with individuals to determine next steps depending on outcome here.
  - Clear communication with rest of ratepayers / community
- 11.2 If Council elects Option 4 or Option 5 (development of rates postponement and remissions policy and partial remission, and postponement of balance), then consultation would be required to meet the requirements of section 82 LGA. This would likely be a consultation for 30 days, and submitters would have the option to present their view at a hearing.

## **12. Cost of Options**

- 12.1 The risk of legal challenge will reduce with the robust process set out in the recommendation. However, these risks may extend to:

- Risk of Judicial Review of process to effect remedies
- Rate setting process.
- Risk of general legal challenge

## 12.2 Administrative Cost

Every option requires individual assessment: The requirement to meet with individual Ratepayers will need special management and co-ordination. Existing rating staff will not likely be able to handle the level of enquiry on top of normal duties without support. This is now being considered by the Executive Leadership Team.

- Administrative effort for managing payment plans (Option 3) and development, consultation, and administration of remission policy (Option 4 & 5).

There is also risk of wider impacts from:

- Cancellation by customers of their Direct Debits in favour of other less efficient collection methods

Communication requirements and effect on the wider organisation will place additional strain on Council and staff. Legal support has already been sought to produce this report.

## 13. Conclusion

13.1 This situation is unusual. Although rates have been correctly set and invoiced, and rate rebates accurately calculated and applied, several ratepayers have, through no fault of their own, underpaid their rates over several years. Additionally, their payments have not been adjusted for rate increases, and they have not incurred any penalties.

13.2 These ratepayers are among the most financially constrained, as they are eligible for rebates and have limited financial capacity to address the outstanding balance and rate adjustments.

13.3 We must carefully consider their well-being, ensuring fairness and transparency with the tools available to us.

13.4 Our primary focus should be on managing this situation effectively from now on, while also ensuring that such issues do not recur in the future.

## Attachments

1. Appendix 1 How to Pay Rates - Direct Debit Report 1 September 2024

**CONFIDENTIAL**

**CONFIDENTIAL**

2. Appendix 2 The Rates Rebate System - Direct Debit Report 1 September 2024
3. Appendix 3 Draft Communications Plan - Direct Debit Report 1 September 2024
4. Appendix 4 Liability for Rates - Direct Debit Report 1 September 2024
5. Appendix 5 Draft Postponement Policy and New Remission - Direct Debit Report 1 September 2024
6. Appendix 6 Option Analysis for Direct Debit Rates Rebate issue

## Appendix 1      How to Pay Rates

### 1.      How Rates are paid

1.1      Customers can pay rates using several different methods. Direct Debits are considered the best method, as we can adjust the amount and control the data input.

#### 1.2      Payment Systems

- Direct Debit
- Internet Banking, including Automatic Payments.
- In Person
- Online Credit/Debit Card
- Phone Banking

#### 1.3      Alternative methods of payment and their merits

##### 1.3.1      Direct Debit:

Direct debits provide peace of mind that payments will be made on time without the need for intervention or incurring penalties. Once set up, it is administratively straightforward, with a notice period required to effect changes. Debit batches can be pre-run and set up to occur on the required day. The various options offer flexibility to customers, allowing them to time their payments to their preferred day of the week.

##### 1.3.2      Internet Banking, including Automatic Payments:

This option provides customers with full flexibility to schedule and vary payments as needed. Customers must be confident in using internet banking or can seek bank assistance to set up an automatic payment (AP). They need to initiate the information, make changes, and ensure their reference details are correct.

##### 1.3.3      In Person:

A social change is occurring with fewer people using service centres due to online systems. However, those needing support for other reasons, such as completing rebate income means testing, require confidential support, and tend to visit in person. This creates periods of high demand for customer service staff during invoicing periods.

##### 1.3.4      Online Credit/Debit Card:

Most people now use EFTPOS when paying, while online credit cards suit some despite a fee surcharge. For example, when a person is overseas, it avoids large bank fees and offers a form of credit that is lower in cost than incurring rates penalties.

##### 1.3.5      Phone Banking:

This is a variation of internet banking, initiated over the phone through a banking online chatbot.

## 2. Council Website

<https://www.tararua.govt.nz/property/rates/how-to-pay-your-rates>

### How To Pay Your Rates

You can pay your rates using a number of different methods, click one of the options below to find out more.

Note: payments made after the due date will incur a 10% penalty.

- [Direct Debit](#)
- [Internet Banking](#)
- [In Person](#)
- [Online Credit/Debit Card](#)
- [Phone Banking](#)

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### Direct Debit

Setting up a direct debit with your bank means you'll never forget to pay. A direct debit will automatically deduct the amount required to clear the rates up until the end of the rating year, at the specified frequency of either:

- Tuesday, Wednesday or Thursday for weekly or fortnightly payments;
- monthly payments on the 20th;
- quarterly payments on the due date; or
- annually on 31 August of each year.

Direct debit is the Council's preferred payment method. Please contact us for a form to be mailed to you or download below:

[Direct Debit Authority Form \(PDF file, 94.6 KB\)](#)

You will still receive a rates notice for each instalment regardless of how often your direct debit is paid for GST purposes. Your rates notice will advise you that payments are made by direct debit.

Please note: We are unable to accept faxed copies of printed direct debit forms. They need to be mailed into our office (see mailing address below) or brought in to one of our Council Service Centres.

If you wish to cancel or change the details of your direct debit, you can supply us with the details in writing or phone the Revenue Department on [06 374 4080](tel:063744080). We must have this notification at least one day before the direct debit is due to be actioned.

If you need to change your bank account details, you will need to complete a new direct debit form and return it to Council.



### 3. Direct Debit Legal Requirements

- The Acceptor of a Direct Debit is the Bank Customer, our Ratepayer.
- The Initiator is Council who may set up a Direct Debit with ten-days notice; and 30-days notice for variations.
- Notice may be electronic or in writing
- The Ratepayer can cancel the Direct Debit at any time.

#### CONDITIONS OF THIS AUTHORITY TO ACCEPT DIRECT DEBITS

##### 1. The Initiator:

- (a) Undertakes to give notice to the Acceptor of the commencement date, frequency and amount at least 10 calendar days before the first Direct Debit is drawn (but no more than 2 calendar months). This notice will be provided either:

- (i) in writing; or
- (ii) by electronic mail where the Customer has provided prior written consent to the Initiator

Where the Direct Debit system is used for the collection of payments which are regular as to frequency, but variable as to amounts. The initiator undertakes to provide the Acceptor with a schedule detailing each payment amount and each payment date.

In the event of any subsequent change to the frequency or amount of the Direct Debits, the initiator has agreed to give advance notice of AT LEAST 30 DAYS BEFORE changes come into effect. This notice must be provided either:

- (i) in writing; or
- (ii) by electronic mail where the Customer has provided prior written consent to the Initiator

OR

- (a) Has agreed to give written advance notice to the Acceptor of the net amount of each Direct Debit and the due date of the debiting AT LEAST 10 CALENDAR DAYS BEFORE (but not more than 2 calendar months) the date when the Direct Debit will be initiated. This advance notice must be provided either:

- (i) in writing; or
- (ii) by electronic mail where the Customer has provided prior written consent to the Initiator

The advance notice will include the following message:-

"Unless advice to the contrary is received from you by (date\*), the amount of \$....., will be direct debited to your Bank account on (initiating date)."

\* This date will be at least two (2) days prior to the initiating date to allow for amendment of Direct Debits.

- (b) May, upon the relationship which gave rise to this Authority being terminated, give notice to the Bank that no further Direct Debits are to be initiated under the Authority. Upon receipt of such notice the Bank may terminate this Authority as to future payments by notice in writing to me/us.

##### 2. The Customer may:-

- (a) At any time, terminate this Authority as to future payments by giving written notice of termination to the Bank and to the Initiator.
- (b) Stop payment of any Direct Debit to be initiated under this authority by the Initiator by giving written notice to the Bank prior to the Direct Debit being paid by the Bank.
- (c) Where a variation to the amount agreed between the Initiator and the Customer from time to time to be direct debited has been made without notice being given in terms of 1(a) above, request the Bank to reverse or alter any such Direct Debit initiated by the Initiator by debiting the amount of the reversal or alteration of the Direct Debit back to the Initiator through the Initiator's Bank, PROVIDED such request is made not more than 120 days from the date when the Direct Debit was debited to my/our account.

##### 3. The Customer acknowledges that:-

- (a) This authority will remain in full force and effect in respect of all Direct Debits passed to my/our account in good faith notwithstanding my/our death, bankruptcy or other revocation of this authority until actual notice of such event is received by the Bank.
- (b) In any event this authority is subject to any arrangement now or hereafter existing between me/us and the Bank in relation to my/our account.
- (c) Any dispute as to the correctness or validity of an amount debited to my/our account shall not be the concern of the Bank except in so far as the Direct Debit has not been paid in accordance with this authority. Any other disputes lies between me/us and the Initiator.
- (d) Where the Bank has used reasonable care and skill in acting in accordance with this authority, the Bank accepts no responsibility or liability in respect of:
- the accuracy of information about Direct Debits on Bank statements
  - any variations between notices given by the Initiator and the amounts of Direct Debits
- (e) The Bank is not responsible for, or under any liability in respect of the Initiator's failure to give written advance notice correctly nor for the non receipt or late receipt of notice by me/us for any reason whatsoever. In any such situation the dispute lies between me/us and the Initiator.
- (f) Notice given by the Initiator in terms of clause 1(a) to the debtor responsible for the payment shall be effective. Any communication necessary because the debtor responsible for payment is a person other than me/us is a matter between me/us and the debtor concerned.

##### 4. The Bank may:-

- (a) In its absolute discretion conclusively determine the order of priority payment by it of any monies pursuant to this or any other authority, cheque or draft properly executed by me/us and given to or drawn on the Bank.
- (b) At any time terminate this authority as to future payments by notice in writing to me/us.
- (c) Charge its current fees for this service in force from time-to-time.

## **Appendix 2 The Rates Rebate System**

### **Notes to the Ratepayer**

#### **What are rates rebates**

A rates rebate is a partial discount on a rates bill — you pay less for your rates.

If you own your home and are on a low income, you may be eligible for a rates rebate.

#### **How the rebate is calculated**

Eligibility and how much will be paid depends on:

- the total amount of rates to pay
- how many dependants live with the Ratepayer
- total household income before tax
- the ownership of your property
- the living situation.

#### **Councils look after the rates rebate programme**

Rates rebate applications are assessed and approved by councils around New Zealand.

If your application is successful, you will get a rebate.

Council will:

tell you how much your rebate is

deduct this amount off your rates bill, or

contact you about your rebate if you've already paid your rates in full.

#### **How much you get**

The maximum rebate you can get is in 2024/25 is \$790. You may be eligible for all or only part of this amount.

How much you get depends on what you're entitled to. The council works this out when they assess your application.

## Communication to Ratepayers

- Find out what a rates rebate is if you qualify and how much you might get off your rates. See how and when to apply and download the application form.
- [What is a rates rebate](#)
- Learn what a rates rebate is, how much it is and how you get it.
- [Who is eligible to get a rates rebate](#)
- Find out what the eligibility requirements are and work out if you can get a rebate.
- [Rates rebate calculator](#)
- Use the calculator to work out how much you might get as a rates rebate. This is an estimate only — your council will assess the actual amount when you apply.
- [Apply for a rates rebate: application forms](#)
- Once you receive your rates bill, you can apply for a rebate for the current rating year period 1 July 2024 to 30 June 2025. You must return your application to the council by 30 June 2025.

### Want an estimate?

[Rates rebate calculator](#)

### How to get the rebate every year

The rebate is not given automatically. You need to apply every year and your application will be fully assessed each time you apply.

As long as you're eligible, you apply before the deadline and you include the required information, you should get a rebate.

### Find out if you're eligible for a rebate

The rates rebate application may take you some time to complete. Check if you're eligible before you decide to apply.

## Who is eligible to get a rates rebate

There proof of your income must be included.

- Total Rates Including GST
- Number of Dependents

To work out your total household income before tax, you need to add up all the money you earned, before tax, from 1 April 2023 to 31 March 2024. Summaries from Inland Revenue and your pay slips often call this amount your 'gross amount'.

If you live with a joint homeowner, partner, or spouse, include what they earned during the same time period. Do not include their income if they do not live with you and do not include dependants' income.

Your household income may come from, for example:

- wages
- salary
- government benefits and payments
- pensions
- self-employed income
- bonuses
- overseas income
- interest or dividends.

Example of Income Bands, assuming rates of \$4,000 for 2024/25 and no dependents

<b>Household income (Gross before Tax)</b>	<b>Rebate</b>
<b>\$45,677 or less</b>	<b>\$790</b>
<b>\$47,255</b>	<b>\$592</b>
<b>\$48,833</b>	<b>\$395</b>
<b>\$50,411</b>	<b>\$198</b>
<b>\$51,990 or more</b>	<b>\$ 0</b>

### **Where you live**

To be eligible for a rates rebate:

- the property you pay rates for must be your usual place of residence
- you must be living in your own home on 1 July 2024

- you're listed as your property's ratepayer on your local council's rating information database (RID) — or one of the other types of property ownership and living situations applies to you.
- But you cannot get a rates rebate if you do not usually live at your property.

### **Other types of ownership and living situations**

If you live in a retirement village: If you live in an owner-occupier flat or a company-share flat or apartment;

If your name is not on the rates bill but you live in an 'owner-occupier' flat, such as a company-share flat or apartment, you may still be able to get a rebate.

**Company-share apartment residents:** If you live in a trust-owned property

You need to be a named trustee and listed in the council's Rating Information Database (RID) to be able to get a rebate.

## Appendix 3 Draft Communications Plan - Direct Debit Report August 2024

### Communications Plan for Rates Overpayment or Underpayment

Name of Campaign	Rates overpayment and underpayment
Key Contact Person	To be Determined
Duration on Plan	To be determined
Key Comms Advisor	Karsten van der Oord

#### 1. Embargoed

Any further Media Communications on this matter are embargoed until this Communication Plan can be agreed or by special authority in conjunction with the Mayor and Chief Executive.

Individual Ratepayer communication is ongoing and will be focussed on the messages:

- The new Direct Debit Amount for the 2024/25 Rating Year
- Council is considering options for money owed or over-collected for those Ratepayers on direct debits and receivers of rates rebates, where there are balances carried forward from 30 June 2024 as a result of Council error.

#### 2. Purpose

- Objective: Define the main goal of this communications plan:

**To maintain trust and transparency with all ratepayers while effectively conveying the necessary information and support to help ratepayers that have been affected.**

“Council must operate within its legislative framework, ensure open and transparent communication, take accountability for the error, act fairly and equitably, engage directly with impacted ratepayers, and promptly investigate and rectify the underlying problem. Council must be prepared and resourced to assist impacted ratepayers with this process and know where to refer ratepayers who require additional support.”

Key objectives to consider:

- **Clear Communication:** Ensure that the message is clear, concise, and easy to understand. Avoid jargon and be straightforward about the situation.
- **Empathy and Support:** Show empathy towards the ratepayers' situation and offer support or solutions to help them manage the repayment.
- **Transparency:** Be transparent about how the error occurred and what steps are being taken to prevent it from happening again.
- **Reputation Management:** Protect the council's reputation by demonstrating accountability and a commitment to resolving the issue fairly.
- **Engagement:** Encourage open communication and provide channels for ratepayers to ask questions or express concerns.

**Audience:** Identify the target audience(s) for your communications:

- **Affected Ratepayers:** The individuals directly impacted by the underpayment issue. (clear, empathetic, and supportive communication).
- **General Ratepayers:** Other ratepayers (important to maintain their trust and reassure them that the council is handling the situation responsibly).
- **Council Staff:** Relevant staff (customer services, rates team) need to know how to handle inquiries and provide consistent information.
- **Media:** Media outlets that might report on the issue. Proactive media management can help control the narrative and minimize negative coverage.
- **Community groups:** Individuals or groups within the community who can help disseminate accurate information and support the council's efforts.

### 3. Key Messages

**Key Messages:**

- **Acknowledgment of the Issue:** "We have made an error in the automated direct debit payments for a small number of ratepayers that have rates rebates, resulting in an underpayment for some and overpayment for others. We wish to minimise any worry that people will have. We have a number of options we will be working through".
- **Apology and Accountability:** "We sincerely apologise for any inconvenience this may cause and take full responsibility for the error. We confirm that no penalties will arise on rates from our error. Our team is ready to help those affected with flexible repayment options to make this process as manageable as possible."
- **Explanation of the Error:** The underpayment occurred due to a lack of system supporting rebates being applied to those that pay by direct debit. We have now taken steps to ensure this does not happen again.
- **Reassurance for all ratepayers:** Only a small number of ratepayers, i.e. those that have a rates rebate and pay rates by direct debit, are affected. The vast majority of ratepayers is not affected. If you have not been contacted directly by mail (phone?), you are not affected.
- **Reassurance for affected ratepayers:** We want to work with you to resolve this; we provide flexible repayment options to ensure this process is as easy and manageable for you as possible. These include long term payback options with no interest, or payback options when the affected people sell-up their property.
- **Support and Assistance:** "We are here to support you. If you have any questions or need assistance, please contact our friendly team at xxx or email us at xxx. We encourage you to speak to a trusted advisor family member about this. (do we give examples of organisations that may be contacted here...)"
- **Preventive Measures:** "We are implementing new measures to prevent similar errors in the future, including new computer systems and processes to re-calculate direct debits as required.
- **Commitment to Transparency:** "We are committed to maintaining transparency and will keep you informed of any further developments."
- **Open Communication:** "We value your feedback and encourage you to share any concerns or suggestions with us."

#### 4. Stakeholder Analysis

**Stakeholder Identification:** List all stakeholders involved.

- **Affected Ratepayers**
- **General Ratepayers**
- **Council & Staff**
- **Media**
- **Relevant community organisations (Iwi partners, Greypower)**
- **Community boards & committees**
- **Work and Income New Zealand.**
- **Department of Internal Affairs**
- **The Office of the Auditor General and Audit New Zealand**
- **The Office of the Ombudsman**
- **Local Government New Zealand and Taituara**

**Stakeholder Needs and Expectations:** Understand what each stakeholder needs and expects.

- **Affected Ratepayers:** The individuals directly impacted by the underpayment issue. They need clear, empathetic, and supportive communication.
- **General Ratepayers:** Other ratepayers who might hear about the issue through word of mouth or media. It's important to maintain their trust and reassure them that the council is handling the situation responsibly.
- **Council Staff:** All staff needs to be informed and specific staff need to be informed/trained on how to handle inquiries and provide consistent information.
- **Media:** Local media outlets that might report on the issue. Proactive media management can help control the narrative and minimise negative coverage.
- **Relevant community organisations:** Individuals or groups within the community who can help disseminate accurate information and support the council's efforts.
- **Local community boards** that represent the interests of residents. Keeping them informed can help in managing community sentiment and ensuring consistent messaging.
- **Work and Income NZ**



## 5. Communication Methods

**Channels:** Identify the channels you will use (e.g., email, social media, press releases).

	Social Media
x	Website (tararua.govt.nz)
	Radio
x	Bush Telegraph
	Antenna
	Posters
	Letter Drop
x	Other (please specify): Affected people will be sent letters
x	Personal assistance, information sessions throughout the district
x	All staff email (internal)

**Tools:** Specify the tools and platforms (e.g. paid Facebook ads, geotargeting, paid radio).

Due to the specific and sensitive nature of this issue and the relatively small amount of ratepayers affected, social media will not be used for this particular topic.

## 6. Timeline

**Schedule:** Create a timeline for your communications activities.

**Milestones:** Identify key milestones and deadlines.

- Letter is sent out to affected people
- FAQs are developed for affected ratepayers
- FAQs are developed for internal staff
- FAQs are developed for the media
- Bush Telegraph article
  - (but would also depend on when the letter to affected ratepayers will be sent out).
- Internal communications
- Media release (but would also depend on when the letter to affected ratepayers will be sent out).
- Dates, times of Information sessions publicised (we need to have this information included in the letter that is sent out to affected ratepayers).
- Information sessions are held throughout the district.

## 7. Budget

**Costs:** Depending on the timing of the letter which is sent out to affected ratepayers there could be a cost involved for an quarter page advert in the Bush Telegraph. (The regular council page comes out on fortnightly basis, if the timing falls within its publication schedule, we will publish it here, if not we will pay for a quarter page advert). That costs would be \$249.

**Resources:** Identify the resources needed (e.g., personnel, software).

The whole communications team will be involved in this. Close collaboration between the communications team and the relevant council teams is crucial.

## 8. Evaluation

**Metrics:** Define how you will measure the success of your communications plan:

- Number of inquiries and complaints received
- Media coverage sentiment (positive, neutral, negative)
- Rate of repayment compliance
- Number of attendees at information sessions.

**Feedback:** Plan for collecting and incorporating feedback.

To be determined.

## 9. Risk Management

### a. National media interest:

- a. Long standing issue
- b. Not addressed sooner
- c. Impact on low-income persons
- d. Period and process to remedy

### b. Potential Risks:

- **Financial Hardship:** Some ratepayers might struggle to repay the outstanding amounts, causing financial stress and dissatisfaction.
- **Negative Public Perception:** Ratepayers and the public might view the council as incompetent or untrustworthy due to the error.
- **Media Scrutiny:** Affected ratepayers could contact the media which could attract negative media attention, potentially escalating the situation and damaging the council's reputation further.
- **Ratepayer Dissatisfaction:** Affected ratepayers might feel frustrated or unfairly treated, leading to complaints or even legal action.
- **Internal Morale:** Staff morale could be affected if they face increased inquiries and complaints from ratepayers.

### c. Mitigation Strategies: Develop strategies to mitigate these risks:

- **Effective Communication:** Ensuring that the message is clear, empathetic, and reaches affected ratepayers, and all affected ratepayers in a timely manner.

- **Consistency:** Maintaining consistent messaging across all communication channels to avoid confusion and misinformation.
- **Managing Inquiries:** Handling a potential large of amount of inquiries and assistance to ratepayers efficiently.
- **Providing Support:** Offering adequate support and flexible repayment options to ease the financial burden on affected ratepayers.
- **Preventing Recurrence:** Implementing effective measures to prevent similar errors in the future and communicating these measures to regain trust.
- **Balancing Transparency and Reassurance:** Being transparent about the error while also reassuring ratepayers that the council will work with affected ratepayers to implement manageable repayment options, and reassurance that Council is taking steps to rectify the situation and prevent future issues.

## 10. Approval and Review

**Approval Process:** All external communication regarding this is approved by Executive Leadership Team.

Mayor Tracey Collis is kept up to date by the communications team and will seek additional Communications Advice to further support the Elected Members.

## **Appendix 4 Liability for Rates**

### **Local Government (Rating) Act 2002 Who must pay rates?**

#### **Section 12 Liability for rates**

(1) The ratepayer for a rating unit is liable to pay the rates that are due on the unit.

(1A) The ratepayer for a separate rating area is liable to pay the rates that are due on the separate rating area.

(2) However, a person other than the ratepayer may become liable to pay the rates in the following circumstances:

#### *Recovery from persons other than owner*

#### **Section 61 Default by person other than owner**

(1) If a ratepayer other than the owner, as described in section 11(2), defaults in paying the rates on the rating unit, the local authority may recover the rates from the owner of the rating unit.

(2) An owner who pays the unpaid rates under subsection (1) may—

(a) recover that amount from the ratepayer as a debt; or

(b) retain that amount from any money that the owner owes to the ratepayer.

#### **Section 62 Recovery of rates if owner in default**

(1) If an owner defaults in paying the rates, the local authority may—

(a) notify persons with an interest in the rating unit for which the rates are payable (including an interest as first mortgagee) of—

(i) the fact of the default; and

(ii) the provisions of this section; and

(b) accept payment of the rates from the persons referred to in paragraph (a); or

(c) recover, as a debt from the first mortgagee of a rating unit, the rates payable in respect of the rating unit that remain unpaid on a date that is—

(i) not less than 3 months after notice has been given to that person under paragraph (a); and

(ii) not earlier than 1 November in the financial year following the year in which the rates were first assessed.

(2) A person (other than a mortgagee) who pays the unpaid rates under subsection (1) may—

(a) recover that amount from the owner as a debt; or

(b) retain that amount from any money that that person pays to the owner in respect of a debt other than that relating to unpaid rates.

(3) If a mortgagee pays the unpaid rates under subsection (1), the amount paid must be treated as part of the money secured by the mortgage until it is repaid to the mortgagee, and the provisions of the mortgage apply to that amount.

(4) This section does not affect any agreement between persons about their liability as between themselves to pay the rates for a rating unit.

## Policy Additions

### **Rates Postponement for ratepayers who receive rates rebates and pay by direct debit**

#### **Objective**

1. To assist ratepayers experiencing extreme financial hardship due to a systemic error that had occurred over several years where the failure to recalculate direct debits, impacted ratepayers who receive rates rebates and pay by direct debit.

#### **Conditions and criteria**

2. For the rates owed as of 30 June 2024 where the following apply:
3. A written confirmation of the ratepayer's financial situation must be provided from the ratepayer's budget advisor. Additionally, Council reserves the full right to have the question of hardship addressed by any outside agency with relevant expertise e.g. budget advisors or similar.
4. Each application for postponement due to extreme financial hardship will be considered on its own merits. Applications for postponement of rates (in full or part) may be made by a ratepayer, or their authorised representative and time during the year.
5. The ratepayer must meet the following criteria to be considered for a rates postponement:
  - a) the rating unit to which the application relates is the primary private residence owned and occupied by the ratepayer. Companies, trusts and other similar ownership structures of these properties do not qualify for this postponement.
  - b) the property is used solely for residential purposes.
  - c) the ratepayer does not own (or have an interest in) any other rating units, including investment properties (whether in the district or elsewhere) or have a significant interest in a business or shares.
  - d) the ratepayer has no assets except a low value property upon which rates are owed.
  - e) the ratepayer has taken all steps necessary to claim any central government benefits or allowances the ratepayer is entitled to receive to assist with the payment of rates (including the government rates rebate scheme)
  - f) the ratepayer does not have the financial capacity to pay their rates arrears, or the instalment would create extreme financial hardship for the ratepayer
  - g) The amount owed has been directly caused by Council error in setting the Direct Debit amount where the Ratepayer has been eligible for a Rates Rebate in any given year:
  - h) The Ratepayer is in receipt or was eligible to receive rates rebate under the Rates Rebate Act 1973 for the period 2018/19 to 2023/24.
  - i) The ratepayer Authorised Council to apply Direct Debits against their bank account.
  - j) The Ratepayer's direct debit was not adjusted correctly within these dates.

- k) The Ratepayer has an outstanding balance as of 30 June 2024 of \$200 or more (inclusive of GST).
6. All or part of the postponed rates may be paid at any time. The applicant may also elect to postpone the payment of a lesser sum than that which they would be entitled to have postponed pursuant to this scheme.
  7. All postponed rates will be registered as a statutory land charge on the rating unit title. This means that the Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit.
  8. Any postponed rates will be postponed until:
    - a) the death of the ratepayer(s); or
    - b) the ratepayer/s cease/s to be the owner or occupier of the Rating Unit; or
    - c) the ratepayer/s cease/s to use the property solely as his/her residence; or
    - d) the postponed rates are 80% of the available equity in the property; or
    - e) a date specified by Council.
  9. When an application for postponement is approved, the following provisions will apply:
    - a) postponement will first apply in the year a completed application is received.
    - b) the amount of rates postponed will not incur additional charges
    - c) instead of Council requiring payment of the full annual rates bill in the year in which it falls due, the ratepayer will be required to pay to Council an appropriate minimum amount determined by staff in line with Council's Delegations Manual.
    - d) any rates postponed shall be registered as a charge on the land.
  10. Not less than once annually every ratepayer whose rates have been postponed under this policy, will be provided with a statement showing the total annual rates currently due. This will be itemised to show year by year the total amount of the postponed rates and postponement fees.

## **Remission of rates for financial hardship for ratepayers on who receive rates rebates and pay by direct debit**

### **Objective**

1. To assist ratepayers experiencing extreme financial hardship which affects their ability to pay rates due to a systemic error that had occurred over several years where the failure to recalculate direct debits, impacted ratepayers on who receive rates rebates and pay by direct debit.

### **Conditions and criteria**

2. Each application for remission due to extreme financial hardship will be considered on its own merits. Information showing the ratepayer's financial records and commitments along with a statutory declaration from the ratepayer of their financial position (total household income and total financial position).
3. For the rates to be remitted, the ratepayer's financial situation must be such that the ratepayer is eligible for, and has applied for, the Government rates rebate scheme. Council may also seek independent verification from a budget advisor or other agency working with the ratepayer in considering the ratepayers position.
4. Council may also consider whether postponement of rates is a more suitable option.
5. Applications for the remission of rates (in full or part) may be made by a ratepayer, or their authorised representative anytime during the year.
6. The ratepayer must meet the following criteria to be considered for a rates remission for financial hardship
  - a) the rating unit to which the application relates is the primary private residence owned and occupied by the ratepayer. Companies, trusts and other similar ownership structures of these properties do not qualify for this remission
  - b) the property is used solely for residential purposes
  - c) the ratepayer does not own (or have an interest in) any other rating units, including investment properties (whether in the district or elsewhere)
  - d) the ratepayer has no assets except a low value property upon which rates are owed
  - e) the ratepayer has taken all steps necessary to claim any central government benefits or allowances the ratepayer is entitled to receive to assist with the payment of rates (including the government rates rebate scheme)
  - f) the ratepayer does not have the financial capacity to pay their rates or the rates would create extreme financial hardship for the ratepayer.
  - g) The amount owed has been directly caused by Council error in setting the Direct Debit amount where the Ratepayer has been eligible for a Rates Rebate in any given year:
  - h) The Ratepayer is in receipt or was eligible to receive a rates rebate under the Rates Rebate Act 1973 for the period 2018/19 to 2023/24.
  - i) The ratepayer Authorised Council to apply Direct Debits against their bank account.
  - j) The Ratepayer's direct debit was not adjusted correctly within these dates.
  - k) The Ratepayer has an outstanding balance as at 30 June 2024 is less than \$200 (inclusive of GST).



7. For the rates to be remitted, the Council will require a statutory declaration that the ratepayer does not own any other property or have significant interest in a business or shares.
8. The remission will apply from the beginning of the rating year in which the application is made, although the Council may consider backdating to before the rating year in which the application is made depending on the circumstances.

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## Option Analysis

	S12 LGA	S90A LGRA	S44 of LGA	S101 LGA and S100	S65 LGRA	Judicial Challenge	Equity	Financial Hardship	Reputational damage	Administrative Burden	Impact on LOS
<b>Option 1 – Full Write</b>  This would mean writing off \$359,776 of rates owed.	✓	✗  Does not meet the requirement of “cannot be reasonably recovered”.  Statutory discretion be exercised reasonably.  Rates were duly assessed and Council full weight of the LGRA to recover rates due.	✗  Applicable section is 44(1)(d) – “a local authority has intentionally or negligently failed to enforce the collection of money it is lawfully entitled to receive”	✗  S101(1) – “A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently”.  S100 – balanced budget requirements and compliance with Council policies	✓	Possible	✗  Write off of rates for this group of ratepayers due to Council error would create unfairness for other vulnerable ratepayers who may also be in financial hardship and/or benefit from a similar relief.	✓	✓  Could argue that it does not exacerbate the issue. But a judicial review could negate this	✓	Possible  Would see an impact on Council operations but can argue that there is no impact on LOS
<b>Option 2 – Partial Write off</b>	✓	✗  Does not meet as applying a blanket amount.	Possible	✗  As above	✓	Possible	✗  As above but less so given it is a partial write off.	✓	✓  Could argue that it does not exacerbate the issue. But a judicial review could negate this.	Possible  Administration of the payment plan for the remaining amount.	✓  Impact would be minimal
<b>Option 3 – Payment plan</b>	✓	✓  not needed	✓	✓	Possible  Unless a charge on property	Less likely  Even if challenged we have the strength of the LGRA	✓	✗  Affected ratepayers will need to factor in rates increases in subsequent years	✗  No	✗  Administration of the payment plan.	Possible  Could argue that the administrative burden will impact LOS
<b>Option 4 – rates postponement</b>	✓	✓  not needed	✓	✓	✓	Less likely  Even if challenged we have the strength of the LGRA	✓	✓	Possible  The consultation on the remission policy will highlight the error that has caused this issue and confidence in Council’s process (DD as preferred method) will be impacted.	✗  More effort required for policy consultation and administration	Possible  Could argue that the administrative burden will impact LOS
<b>Option 5 – Rates postponement and Rates remission</b>	✓	not needed	✓	✓  The write off amount might impact the balance budget requirement but will be minor	✓	Less likely  Even if challenged we have the strength of the LGRA	Less likely  The write off portion but Council will have consulted with the community	✓	Possible  As above.	✗  As above	Possible  Could argue that the administrative burden will impact LOS



# Report

Date : 12 November 2024  
To : Mayor and Councillors  
Tararua District Council  
From : Rebecca Bell  
Contractor  
Subject : **Adoption of Rates Postponement Policy**  
Item No : **4.1**

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## 1. Recommendation

- 1.1 *That the report from the Contractor dated 11 November 2024 concerning the Adoption of Rates Postponement Policy be received.*
- 1.2 *That Council adopts the Rates Postponement Policy.*

## 2. Reason for the Report

- 2.1 The purpose of this report is to present for adoption the Rates Postponement Policy.

## 3. Background

- 3.1 An error has been discovered in the process for recalculating direct debit payments for ratepayers receiving rates rebates.
- 3.2 This error affects 602 ratepayers in the Tararua District, with 281 impacted households having paid more rates than was required, and 321 impacted households having paid less than was required.
- 3.3 On 20 September 2024, letters were delivered to impacted households informing them of the error.
  - 3.3.1 Credit letters were sent to 166 households. Debit letters were sent to 212 households. The remaining impacted households were removed from this project and managed via the general recalculation on the basis that the issue had already been remedied, meaning the balance brought forward was low (under \$100), and/or the variation in direct debit was low (less than \$12 per week), or the

situation had otherwise been remedied e.g. the property had recently sold. These households were dealt with via the normal business as usual process.

3.4 Council has since been working with impacted households to agree on tailored solutions for repayment, which may include a combination of the available options.

3.5 For those households in arrears, the three options for repayment are;

3.5.1 paying off the arrears amount in full at this time, or

3.5.2 setting up a payment plan with Council to pay off their arrears over time.

3.5.3 Postponing the arrears to a future date. This option requires Council to have a Postponement Policy in place.

### 3.6 **Draft Rates Postponement Policy**

3.7 At a Council meeting on 25 September 2024 Council decided to introduce a Rates Postponement Policy with a specific postponement provision on this matter, to assist households impacted by Council's error.

3.8 Section 102(4)(a) of the Local Government Act requires that Council must consult with its community before adopting a postponement policy.

3.9 Public consultation on the draft policy opened on 27 September and closed on 20 October.

3.10 Council received 22 submissions on the draft policy. 16 were in support, two were opposed, three did not indicate whether they supported the draft policy, and one submission was difficult to interpret.

3.11 Following the close of the consultation period, a hearing was held on 5 November 2024 for those submitters who indicated they wished to speak in person to Council in relation to their submission. Four submitters spoke to their submission.

3.12 On 11 November 2024, Council deliberated on the draft policy, taking into account the submission feedback.

3.13 In response to concerns raised by one submitter, Council approved a minor amendment to the draft policy removing the requirement for ratepayers who meet the eligibility criteria to apply for the postponement of the arrears (discussed below).

## 4. **Description**

4.1 One submitter was concerned that the requirement in the draft policy for impacted ratepayers to formally apply for postponement of arrears may increase the burden of Council's error on already vulnerable people.

- 4.1.1 Council agreed that references to the requirement to complete an application form or apply to Council for postponement of arrears could be removed from the policy on the basis that this was no longer required, as those impacted by Council's error have been identified and contacted, and most impacted ratepayers have already indicated to Council their preferred option for dealing with the arrears.
- 4.1.1.. During our individual engagement with impacted ratepayers, more than 70 people indicated that postponement is their preferred option. To streamline the process, rather than requiring these ratepayers to apply for postponement if Council adopts the policy, management will write to them and provide them with draft postponement agreements to review and confirm once the policy is operational.
- 4.1.1.. Those ratepayers who have not yet indicated their preferred option will be invited to consider postponement if the policy is adopted.
- 4.2 Additionally, prior to Council's deliberation, the policy underwent final legal review. As a result, minor changes to the policy were presented to Council to clearly establish entitlement to postponement for those who were not eligible for rates rebates, but who authorised Council to apply direct debits against their bank account at any time in the rating years 2018/2019 to 2023/2024 and did not have their direct debit amount adjusted correctly, resulting in arrears balances.
- 4.3 These changes involved minor re-wording of section 3 (Scope and Criteria).
- 4.4 Council accepted the proposed changes and directed management to finalise the policy for adoption on Friday 15 November 2024.
- 4.5 Management has finalised the policy as directed, and it is now presented to Council for adoption.

## **5. Significance Assessment**

- 5.1 Based on the criteria set out in Section 7 of Council's Significance and Engagement Policy, adoption of the postponement policy is not considered to be a significant decision.
- 5.2 Council acknowledges, however, that the wider issue of the recalculation error will have a significant impact on those ratepayers whose direct debit payments were not correctly recalculated, as well as on the district's confidence in Council's processes.

## **6. Conclusion**

- 6.1 During deliberations, Council approved the minor amendments made to the draft Rates Postponement Policy and directed management to finalise the policy for adoption. The final draft of the policy is now presented to Council for adoption.



## **Attachments**

1. FINAL DRAFT Policy for adoption - Rates Postponement Policy



# Rates Postponement Policy

## Contents

To update the Table of Contents – click in the table and either press F9 or right-click and choose Update Field and select Entire Table.

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## 1 Purpose

This Policy sets out the eligibility criteria for applications by ratepayers to postpone the payment of rates arrears in specific circumstances. It has been developed in response to an administrative error by Council in its recalculation of direct debit payments for ratepayers who typically are in receipt of rates rebates. The purpose of this Policy is to provide a remedy for those impacted ratepayers to reduce potential financial hardship directly caused by Council’s error.

The Policy’s specific eligibility criteria, objectives and administrative details are set out below.

## 2 Alignment

Tararua District Council’s principle in establishing remission or postponement policies is to provide rates relief in certain situations, to support either the fairness and equity of the rating system or the overall wellbeing of the community.

Tararua District Council is committed to transparency and integrity in its dealings with its ratepayers and communities.

This Policy sets out our commitment to the impacted ratepayers to support their wellbeing by providing a remedy to reduce potential financial hardship.

Our aim is to improve our community’s confidence in Council being guided by our values of Pono, Whanake and Whanaungatanga, and encourage our community to engage with us. We want to do this by:

Our Values:

Pono – integrity through transparency, trust and accountability. Integrity through standing up for what is right.

Whanake – continue to evolve.

Whanaungatanga – relationship, kinship, working together.

## 3 Scope and criteria

This Policy applies to a limited number of impacted ratepayers: those who authorised Council to apply Direct Debits against their bank account at any time in the rating years 2018/2019 to 2023/24 and were typically (but not exclusively) in receipt of or were eligible to receive a rates rebate under the Rates Rebate Act 1973 during this period.

The Criteria for eligibility are:

- The ratepayer authorised Council to apply Direct Debits against their bank account at any time during the rating years 2018/19 to 2023/2024; and
- Relied on Council to adjust their direct debit payment amounts during this period; and

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- Did not have their direct debit amount adjusted correctly during this period; and
- As a direct result of Council error in setting the direct debit amount, have an outstanding rates arrears balance as of 30 June 2024.

Ratepayers who meet all of the criteria above will be eligible to apply for full or partial postponement of rates arrears which are a direct result of Council’s error.

This Policy does not provide for postponement of rates more generally, and ratepayers who do not meet all of the criteria above will not be eligible to apply for postponement of their rates or rates arrears.

## 4 Objectives

The objectives of developing this Policy are to:

- provide assistance to ratepayers impacted by a systemic Council error in failing to recalculate the direct debits over several years which has resulted in rates arrears as at 1 July 2024.
- provide a remedy for the impacted ratepayers to enter an agreement to fully or partially postpone their rates arrears to a specified date or event.
- reduce potential financial hardship caused by Council’s error in recalculating direct debits for the impacted ratepayers, in providing an alternative payment option.
- provide Council with a further tool to allow Council to work with individuals on a one-on-one basis to reduce their immediate financial concerns.
- provide that no interest or penalties will be charged on the arrears postponed.

## 5 Background

Tararua District Council has discovered an error in its process for calculating rates for some of its ratepayers. The impacted ratepayers are typically those who were eligible for a rates rebate, paid their rates using direct debit between 2018 and 2024, and Council did not correctly adjust their direct debit payment amounts during this period.

This error has led to a small group of impacted ratepayers accumulating rates arrears through no fault of their own.

The arrears amounts do not include any penalties or interest, as this has not been charged during this period.

After careful consideration, Council has resolved to develop this Rates Postponement Policy in response to its error, to provide impacted ratepayers with another option for addressing their arrears.

Postponement is just one of the tools that Council can use within the framework of the Local Government Act 2002 and Local Government (Rating) Act 2002 to assist the impacted ratepayers.

This Policy allows impacted ratepayers to apply to Council to have part or all of their rates arrears postponed to a future date or event, without any penalties or interest accumulating.

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## 6 Implementation/Administration

1. Ratepayers who meet all of the eligibility criteria set out at paragraph 3 may elect to postpone their rates arrears at any time after this Policy is adopted.
2. Council will work with the impacted ratepayer to prepare and sign an agreement setting out the amount of arrears postponed.
3. The applicant may elect to postpone the payment of a lesser sum than that which they would be entitled to have postponed pursuant to this scheme.
4. Any postponed rates will remain a charge on the property and will become payable on the occurrence of the following (whichever comes soonest):
  - a) the ratepayer/s cease/s to be the owner or occupier of the Rating Unit; or
  - b) the ratepayer/s cease/s to use the property solely as his/her residence; or
  - c) the postponed rates are 80% of the available equity in the property; or
  - d) the death of the ratepayer(s);
5. When postponement is agreed, the following provisions will apply:
  - a) postponement will first apply in the year a completed application is received.
  - b) the amount of rates postponed will not incur interest or penalty charges during the period of postponement.
6. All or part of the postponed rates may be paid at any time.

## 7 Roles and Responsibilities

The Mayor and Councillors will be responsible for approval of this Policy.

Administration of this Policy will be the responsibility of the Revenue team, with appropriate escalation for approvals.

## 8 Related Internal Policies, Processes, and documents

Revenue and Financing Policy 2024

## 9 References

This Policy is adopted under sections 102(3)(b) and 110 of the Local Government Act 2002.

## 10 Definitions

1. **Rates arrears** – outstanding or unpaid amounts of rates that are owing or overdue. In this instance, this refers to rates arrears accumulated in the period 2018/2019 to 2023/2024.
2. **Rates Rebate** – a partial discount on a rates bill made under the Rates Rebate Act 1973.
3. **Direct Debit** – a regular payment that is approved by the bank account holder but set up and controlled by the business or organisation being paid (in this case, Council).

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4. **Postponement** – deferring payment of rates arrears by agreement with Council until a specified event.
5. **Rating unit** - the land comprised in the record of title.

## 11 Policy Review

This Policy will be reviewed internally on an annual basis.

At least once every six (6) years, this Policy will be reviewed using a consultation process that gives effect to the requirements of section 82 of the Local Government Act 2002, as required by section 110 (2A) Local Government Act 2002. The Policy may be revoked following this review if no longer required.

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