



# STATEMENT OF PROPOSAL

## RATES POSTPONEMENT POLICY (DRAFT)

## Introduction

**Tararua District Council has discovered it has been following a faulty process for recalculating direct debit payments for some of its ratepayers.**

The error impacts 602 households from across the district. Those impacted are those who are:

1. eligible for a rates rebate, **and**
2. pay their rates using direct debit.

There are 281 impacted households have paid more rates than is required, and 321 impacted households have not been charged enough and have paid less than is required.

This is a faulty process that has occurred over the last six years, since 2018. The total amount Council needs to reimburse those who have over paid is \$146,758. The total amount of rates payments in arrears is \$400,340.

Now that Council is aware of the problem, we will be:

1. Completing a full and thorough investigation to find out how this faulty process went on undetected and to put a robust process in place to make sure the error will never happen again in the future.
2. Working with the impacted households to reimburse those who have been overpaying, and recoup the rates that are now in arrears.

Council is committed to delivering a fair and equitable process for all ratepayers. No penalties or interest will be charged to rates that are in arrears because of our error.

Council takes full responsibility and acknowledges that this faulty process will cause a lot of stress for impacted households for their rates arrears they were not aware of. We are deeply sorry for the error and we will be working with these households to find a tailored solution that works best for their circumstances.

Part of addressing the problem is Council's proposal to allow the directly and negatively impacted people options to postpone the payment of their outstanding rates. This would be done through the adoption of a Rates Postponement Policy. This document gives the background and reasons for this proposal.

## How did this happen and how will we correct it?

### Description of the problem

The problem has occurred because our automated system for direct debits and our manual system for applying rebates have been out of sync. The two systems were not “talking to each other” very well.

It is important to note that the rates have been correctly calculated each year for all ratepayers, including those impacted by this error. The error occurred for some ratepayers when their direct debit was not recalculated each year when Council rates were set.

### How does direct debit work?

Council gives ratepayers the option of paying their rates by direct debit. These payments are automated and make paying rates easy and efficient for both the ratepayer and Council.

Once Council sets the rates for the coming year, the system calculates how much each ratepayer needs to pay and their direct debit payments are automatically adjusted. Each ratepayer will be sent a letter indicating the new Direct Debit amount and the effective date. Council and the ratepayer don't have to do anything manual to make the adjustment, and the rates due for the year will be paid automatically from their bank account, as agreed when they set up the direct debit payment.

1358 ratepayers in the district use direct debit to pay their rates. Most of them have not had any problems.

### How do rates rebates work?

Rates rebates are not automated. People have to apply each year and their eligibility for a rebate is assessed, when their application is received. If they are eligible, the rebate is applied to their rates and the amount they need to pay is adjusted. Depending on when the application is received during the year, the adjustment can occur after some direct debits have been made for the year. Because of the way the rates rebate application is set up, it cannot be automated.

The error relates only to ratepayers who have set up a direct debit for their rates **and** are eligible for a rates rebate.

This faulty process has been happening since 2018. For most of those years, the amounts were small, and we now realise that our processes were not tight enough to notice. In the last couple of years, as the increase in rates has been higher, the amounts have become more noticeable. The problem is made worse because the amounts have been accumulating over the years.

### When did we learn of the problem and why has it taken this long to address it?

The Chief Executive was alerted to the problem by a legal representative of one ratepayer in November 2023. The issue was considered to be a one-off incident.



Then from February to April 2024, a handful of ratepayers raised a similar issue with their direct debits with elected members and the team dealt with them on an ad hoc basis, without understanding the scale of the problem.

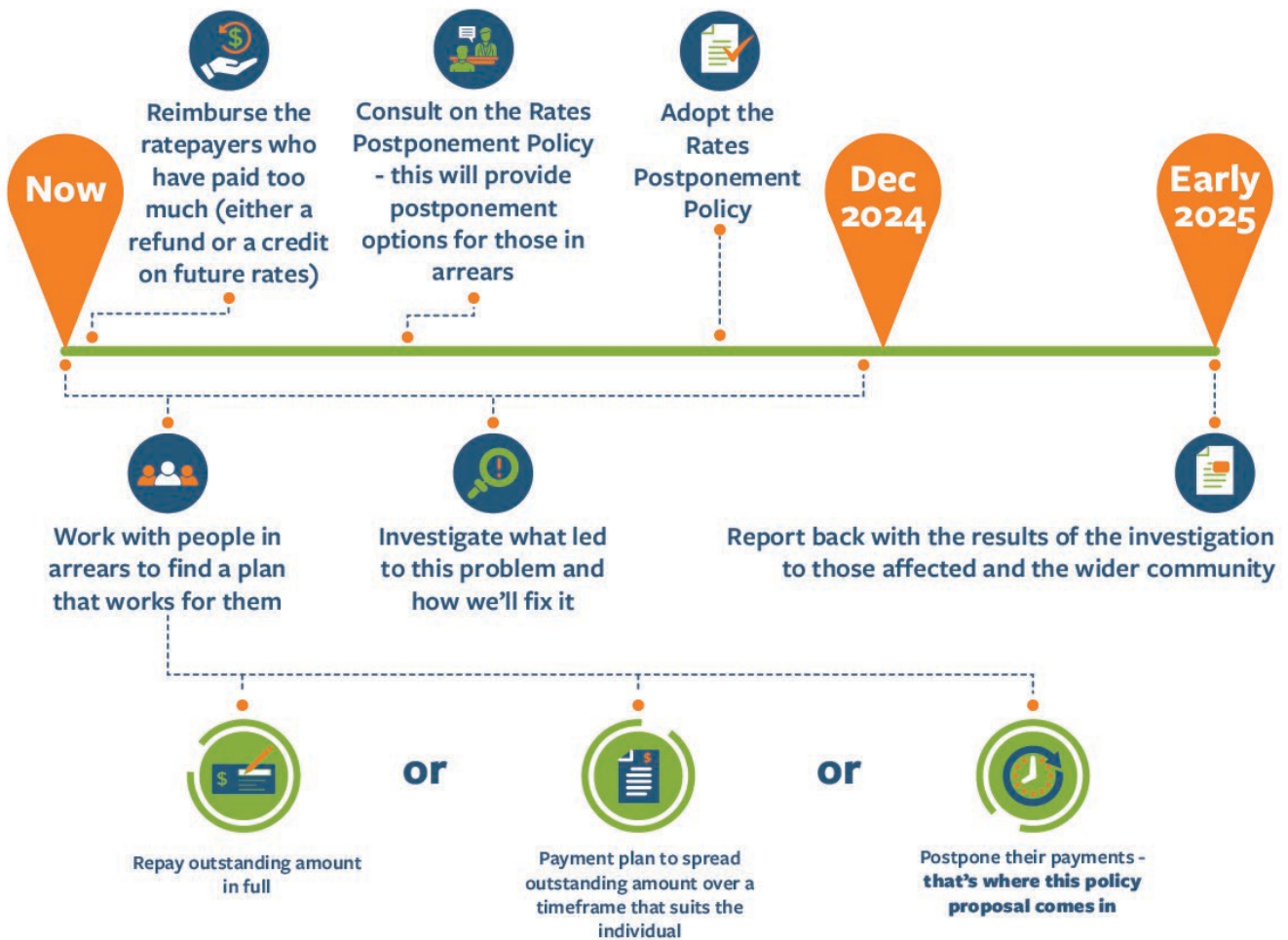
The Mayor, Chief Executive and Councillors played a vital role in helping the team to understand there was a pattern forming and, in May 2024, a dedicated staff member began leading a project to investigate the issue.

From May to August 2024, which included large rates increase during this time, the scale and extent of the issue started to become apparent.

From August to September 2024, Council worked to understand their options to fix the problem and to minimise the financial burden for impacted households before making a public announcement.

### What is Council’s plan for fixing this?

Council is committed to being open and honest about what went wrong and our plan to address it. We will keep impacted households and the wider community informed every step of the way.



## The option for impacted households to postpone payment of the arrears

Council considered a range of options for addressing the rates arrears and the likely impacts of those options. Council was concerned to:

- a) Minimise the impact on affected households of this error as much as possible;
- b) Ensure equity and fairness to all ratepayers;
- c) Act with integrity and transparency; and
- d) Remain within the legal framework within which it must operate.

Council decided that, on balance, the most equitable option was to prepare a Rates Postponement Policy that responds specifically to this issue.

**PROPOSAL:** That Council adopts a Rates Postponement Policy to provide a remedy for those impacted households to reduce potential financial hardship directly caused by Council's error.

### Reason for proposal

As mentioned above, Council thinks this proposal strikes the best balance between overall fairness for all ratepayers and seeking to lessen the inevitable financial hardship for those worst affected.

### Details of the proposed Rates Postponement Policy:

1. The draft Policy sets out the eligibility criteria for applications to postpone the payment of rates arrears by the impacted ratepayers. It has been developed to respond specifically to this Council error and provide a remedy for these impacted households.
2. The policy applies to those impacted households, who:
  - a) Were typically in receipt of or eligible to receive a rates rebate during the period of 2018 to 2024; and
  - b) Authorised Council to apply direct debits against their bank accounts at any time during this period; and
  - c) Relied on Council to adjust their direct debit payment amounts during this period; and
  - d) Didn't have their direct debit payment amounts adjusted correctly during this period; and
  - e) As a direct result of Council error in setting the direct debit amount, have an outstanding rates arrears balance as of 30 June 2024.
3. Impacted households who meet these criteria will be able to apply for a full or partial postponement of rates arrears which are a direct result of Council error.
4. The policy, if adopted, will provide an additional option for impacted households. The options available to the impacted households will be:
  - a) Full postponement of rates arrears
  - b) Partial postponement of rates arrears

- c) Entering into a payment plan, spreading the repayments over a number of years;
  - d) Repaying the arrears in full.
5. Impacted households will have all of these options available to them at any time.
  6. They may choose to repay in part or full at any time.
  7. They may choose to postpone at any time.

### What do you think?

Council would like public feedback on the draft Rates Postponement Policy.

1. Do you agree with Council's proposal to adopt a Rates Postponement Policy to provide a remedy for those impacted ratepayers to reduce potential financial hardship directly caused by Council's error.
2. Do you agree with the postponement options Council has proposed?

A feedback form is attached to this Statement of Proposal, or can be filled out online <https://www.tararua.govt.nz/publications/consultation/current-consultation>.

More information on the consultation process is included below.

## Consultation process

Steps in the process	Dates
<p><b>1. Feedback period</b></p> <p>The feedback period will be 3 weeks, During this time, you can give us your feedback via mail, email, or the online submission form (see link below).</p> <p>If you would prefer to talk to someone at Council who can help you with giving your feedback, please contact us on the number provided below.</p>	7 September – 20 October 2024
<p><b>2. Hearings</b></p> <p>Council will be holding a special meeting, called hearings, for people who would like to come and speak to Councillors in person (or by Teams) about your feedback.</p> <p>This will happen before Council makes any final decisions about updating the Rates Postponement Policy.</p> <p>If you would like to come and speak to Council at hearings, <b>please tick the box in the feedback form</b> and we will be in touch.</p>	<p><b>Monday 4 November 2024</b> – Pahiatua Council Chambers, 136 Main Street, Pahiatua</p> <p><b>Tuesday 5 November 2024</b> – Business Hub Training Room, 40 Denmark Street, Dannevirke</p> <p>1:00pm – 8:00pm (with a break for dinner) on both days</p> <p>Meetings open to the public - afternoon and evening</p>
<p><b>3. Deliberations</b></p> <p>Once Council has received all the written and spoken feedback it will consider all the points raised and discuss how it wants to proceed with the draft policy.</p> <p>Staff will then update and finalise the draft according to Councillor's decisions.</p>	<p><b>Monday 11 November 2024</b> – 2:00pm</p> <p>Pahiatua Council Chambers, 136 Main Street, Pahiatua</p> <p>Meeting open to the public</p>
<p><b>4. Adoption</b></p> <p>Once the policy is finalised, Council will adopt it. (Or it could be chosen not to).</p>	<p><b>15 November 2024</b> (Extraordinary meeting) 9:30am</p> <p>Pahiatua Council Chambers, 136 Main Street, Pahiatua</p> <p>Meeting open to the public</p>
<p><b>5. Implementation</b></p> <p>Council staff will work with the affected people who would like to postpone payment to help them with arranging repayment according to the options in the policy.</p>	From <b>15 November 2024</b>

If you have any questions about the consultation process, please contact Allie Dunn, Manager - Democracy Services on 06 374 4080 or [allie.dunn@tararua.govt.nz](mailto:allie.dunn@tararua.govt.nz).

## How to get your feedback to us

You need to get your feedback to us by 20 October 2024. If using the postal service, please bear in mind that delivery of posted items can take over a week.

**Mail to:** Draft Rates Postponement Policy Consultation  
Taranua District Council  
PO Box 115  
Dannevirke 4942



**Email:** [submissions@tararua.govt.nz](mailto:submissions@tararua.govt.nz)



**Deliver to:** Council offices in Eketāhuna, Pahiatua, Woodville or Dannevirke



**Online:** <https://www.tararua.govt.nz/publications/consultation/current-consultation>



This Statement of Proposal is issued pursuant to section 83 of the LGA and in compliance with sections 82, 83, 87, 102 and 110 of the Local Government Act 2002, and section 87 of the Local Government (Rating) Act 2002.

## Attachments to this Statement of Proposal:

1. Draft Rates Postponement Policy
2. Submission form (if possible, please use the online version of the form, which can be found on our website at [www.tararua.govt.nz/property/direct-debit-adjustments](http://www.tararua.govt.nz/property/direct-debit-adjustments))

A handwritten signature in black ink, appearing to read 'Tracey Collis'.

Mayor Tracey Collis

A handwritten signature in black ink, appearing to read 'Bryan Nicholson'.

Bryan Nicholson  
Chief Executive