
Northland Regional Council

Supplement to Agenda

Council Meeting

Tuesday, 16 June 2015
at 1 pm

**ISSUE: Supplementary Item for the Council Agenda
- 16 June 2015**

ID: A756344

To: Council Meeting, 16 June 2015

From: Lisa Aubrey, General Manager Finance and Jonathan Gibbard,
Group Manager Strategy and Governance

Date: 15 June 2015

Summary The purpose of this report is to place before the council:

- Supplementary Item 7.1A: Updated Recommendations for the Adoption of the Final Long Term Plan 2015-2025; and
- Supplementary Item 7.10: Far North District Council - Regional Council Rates - Proposed Remission of Additional Penalties and Penalties on Penalties.

The report concludes with the recommendation that the supplementary items be received.

Report:

Supplementary Item 7.1A: Updated Recommendations for the Adoption of the Final Long Term Plan 2015-2025 were made after the distribution of the 16 June 2015 Council Meeting agenda. A number of minor, immaterial amendments were made at the request of the Chief Executive Officer and Audit New Zealand. An updated Long Term Plan is tabled for adoption.

Supplementary Item 7.10: Regional Council consent to the Far North District Council - Regional Council Rates - Proposed Remission of Additional Penalties and Penalties on Penalties was received after the circulation of the 16 June 2015 Council Meeting agenda.

It is recommended that the following material be received:

- Supplementary Item 7.1A: Updated Recommendations for the Adoption of the Final Long Term Plan 2015-2025;
- Supplementary Item 7.10: Far North District Council - Regional Council Rates - Proposed Remission of Additional Penalties and Penalties on Penalties.

Recommendation:

That as permitted under section 46A(7) of the Local Government Official Information and Meetings Act 1987:

- Supplementary Item 7.1A: Updated Recommendations for the Adoption of the Final Long Term Plan 2015-2025; and
- Supplementary Item 7.10: Far North District Council - Regional Council Rates - Proposed Remission of Additional Penalties and Penalties on Penalties.

be received.

**ISSUE: Supplementary Item – Updated
Recommendations for the Adoption of Final Long
Term Plan 2015–2025**

ID: A756372

To: Council Meeting, 16 June 2015

From: Malcolm Nicolson, Chief Executive Officer

Date: 16 June 2015

Report Type:	<input type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input checked="" type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input checked="" type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input checked="" type="checkbox"/> Triggered	<input type="checkbox"/> Not Triggered	

Amended Recommendations:

1. That the report ‘Adoption of Final Long Term Plan 2015–2025’ by Malcolm Nicolson, Chief Executive Officer, and dated 16 June 2015, be received.
2. That council amends the 18 May 2015 Long Term Plan 2015–2025 deliberations decision (Resolution 26), as it relates to the Kerikeri/Waipapa Flood Scheme, to read as follows:

”That council supports the construction of the Kerikeri-Waipapa spillway (\$2.13 million), applying a uniform rate of \$80.04 (per SUIP), and that council clearly signal in the Long Term Plan that it intends to consult with those affected by the rate with the intention of reviewing the rate and the potential to establish a differential rating model for subsequent years.”
3. That having undertaken the Special Consultative Procedure, in accordance with sections 82, 82A and 102 of the Local Government Act 2002, the council adopt the following policies (as included in the [separately attached updated](#) Long Term Plan 2015-2025 [as tabled at the meeting](#)):
 - a. Revenue and Financing Policy;
 - b. Rates Remission and Postponement Policies (including the policy on remission and postponement of rates on Māori freehold land); and
 - c. Financial Contributions Policy.
4. That in accordance with the requirements of sections 101A and 101B of the Local Government Act 2002, council adopts the Financial Strategy and Infrastructure Strategy as contained in the [updated](#) final Long Term Plan 2015–2025 [as tabled at the meeting](#).

5. That the Charging Policy 2015–2016 included within the final Long Term Plan 2015–2025 be approved and adopted, and come into force on 1 July 2015.
6. That the Northland Regional Council Navigation, Water Transport and Maritime Safety Bylaw Charges 2015 made pursuant to section 684B of the Local Government Act 1974, and in accordance with sections 83, 86 and 156 of the Local Government Act 2002 as contained in the final Long Term Plan 2015–2025, be adopted and shall come into force on 1 July 2015.
7. That pursuant to section 93 of the Local Government Act 2002, the council adopts the [updated](#) final Long Term Plan 2015–2025 [as tabled separately attached at the meeting](#)).
8. That the Chief Executive Officer be given delegated authority to approve any minor accuracy, grammatical or formatting amendments prior to the Long Term Plan 2015-2025 going to print.

Report

Since circulation of the 16 June Council agenda the Chief Executive Officer and Audit New Zealand have requested a number of minor, non-material amendments in some instances technical corrections to both financial and non-financial information. The amendments do not have any impact on the substance of deliberations, rating, financial surplus/deficit or councils levels of service.

Audit New Zealand have confirmed they will not require any further changes and will issue their Audit Opinion following council adoption at today's council meeting.

ISSUE: Supplementary Item: Far North District Council - Regional Council Rates - Proposed Remission of additional penalties and penalties on Penalties

ID: A756191

To: Council Meeting, 16 June 2015

From: Lisa Aubrey, General Manager Finance

Date: 15 June 2015

Report Type:	<input checked="" type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input checked="" type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Legal compliance and significance assessment:

The activities detailed in this report are part of the council's day to day operations and as such are provided for in the council's 2012-2022 Long Term Plan, and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002.

The decision is in accordance with councils rating policies. For administrative ease and efficiency, council adopts the rating policies of each of the Territorial Authority so they can be consistently applied to that Districts rates.

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council.

Recommendation:

1. That the report 'Far North District Council - Regional Council Rates Proposed Remission of Additional Penalties and Penalties on Penalties' by Lisa Aubrey, General Manager Finance and dated 15 June 2015 be received; and
2. That Northland Regional Council confirms its consent and agreement for the Far North District Council to apply our joint rating policy and proposed remission of additional penalties on the regional council portion of rates arrears to be consistent with the a Far North District Council and specifically:
 - a. *That council agree to cease charging additional rate penalties effective from 1 July 2015, and*
 - b. *That the remission of additional penalties will not take place until the end of the 30 June 2015 rating year, and*
 - c. *That the remission will only apply to penalties remaining unpaid on rate accounts as at the date the remissions are applied; and*

- d. *That council agree to remit all additional penalties outstanding on rates accounts prior to 30 June 2015.*

Background

The Far North District Council charges penalties on unpaid rates. These penalties make up the majority of current rate arrears. For the Far North district, rate penalties fall into two types:

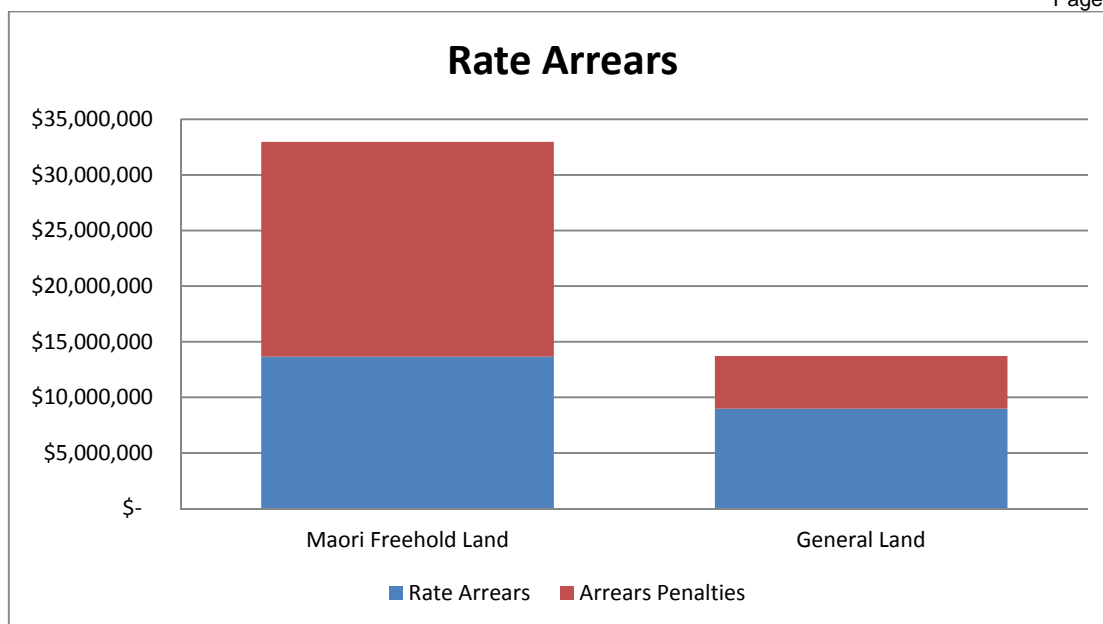
- Instalment penalties (4 instalments each year) - 10% charged on the unpaid balance of any instalment not paid by the due date. Typically they are applied to a rate account seven days after the due date if that instalment has not been paid.
- Additional penalties (applied 2 times per year) - 10% charged on any outstanding balances from previous rating years. The additional penalty is charged on 1 September and 1 February. Effectively it adds 20% per annum to total outstanding rates and compounds annually.

An example is provided illustrating the impact:

Date	Amount	Instalment Penalty	Additional Penalty	Total Due
20-Aug-14	\$500	\$50		\$550
20-Nov-14	\$500	\$50		\$550
20-Feb-15	\$500	\$50		\$550
20-May-15	\$500	\$50		\$550
EOY Balance	\$2,000	\$200		\$2,200
1-Sep-15			\$220	\$2,420
1-Feb-16			\$220	\$2,640

In this example, a property has been charged annual rates of \$2,000 or \$500 per instalment. Assuming non-payment of instalments, 10% penalties are applied to each instalment. In the following year, and each year thereafter, a further 10% penalty is applied in September and in February, resulting in a 20% penalty being applied to the outstanding balance. Within 12 months the application of penalties will have increased the outstanding rate arrears by 32% (\$2,640). The effective annual 20% additional penalty will continue to be applied over a six year period until the rates and penalties due six years prior become “statute bared” and written off. However the penalties continue to be applied and they themselves are only written off once they are “statute barred”.

The Far North District Council will take legal action on rates arrears on general land to recover unpaid rates, but due to the legislative constraints on Maori freehold land, they will rarely commence recover action on Maori freehold land. Penalties now make up more than 53% of Far North rates arrears. Far North project that within 5 years, penalties will comprise of more than 80% of rates arrears. The result of rates arrears and arears penalties for general title and Maori freehold land at October 2014 is shown in a bar graph below:



Report:

At its 30 October 2014 meeting the Far North District Council resolved:

That council agree to cease charging additional rate penalties with effective from 1 July 2015, and

That council also agree to remit all additional¹ penalties that have been applied to all rate accounts prior to 30 June 2015, and;

That council request staff to monitor the effect of this change in rating policy and prepare a report on its outcomes within two years in preparation for the 2017-18 Annual Plan.

At its 11 December 2014 council meeting the Far North District Council further resolved (in addition to confirming the resolutions made at the October 2014 council meeting):

That the remission of additional penalties will not take place until the end of the current rating year, and;

That the remission will only apply to penalties remaining unpaid on rate accounts as at the date the remissions are applied.

At its 5 June 2015 council meeting the Far North District Council resolved:

That council agree to remit all additional penalties outstanding on rates accounts prior to 30 June 2015.

The June 2015 Far North agenda item is provided as **Attachment A**.

¹ A further paper was provided to Far North District Council on 11 December 2014 clarifying that this relates only to outstanding additional penalties that remain unpaid on rate accounts. It does not mean the council will reverse any additional penalties that have been paid in previous years.

The June Council paper sets out the provision and legislative ability that allows the Far North District Council to remit the rates as proposed. The paper explains that the Far North District Council is effectively making an application to itself (allowed for by their policies) to address a particular set of circumstances. These being to assist the council to better manage penalties that are unlikely to ever be paid.

There are two exceptions to the proposed remissions where council has already undertaken specific debt recovery process. These are:

1. Where council has received judgment from the courts in respect of unpaid rates.
2. Where council has made a claim for unpaid rates to the holder of a first mortgage on a property.

So what does this mean for the Northland Regional Council?

Far North District Council staff have now asked for our councils consent to apply the remission policy and process set out above to the regional councils rates. Technically the Far North District Council do not 'require' regional council consent as they are empowered and delegated to apply rating policies and remissions to our rates in the same manner as they treat their own rates.

The impact to council of the proposal to remit all outstanding additional penalties charged on outstanding rates is estimated to be **\$1.7M**. Since 30 June 2012, it has been our council's policy to provide a 100% provision for doubtful debts applied but not paid. The total provision for doubtful debts on Far North district rates held by our council at 30 June 2014 is **\$3.47** million.

Item: 10.2

MEETING: COUNCIL - 05 JUNE 2015
Name of item: REMISSION OF ADDITIONAL PENALTIES
Author: Chris Ellington - Manager - Revenue Policy
Date of report: 28 April 2015
Document number: A1573007

Executive Summary

The purpose of the report is to finalise the remission of additional penalties process that was agreed by Council at its meeting held 30 October 2014.

Note - This remission only applies the additional penalties and penalties on penalties. Penalties charged for late payment/non-payment still apply.

Recommendation

THAT Council agree to remit all additional penalties outstanding on rate accounts prior to 30 June 2015.

1) Background

At its meeting held 30 October 2014, Council considered the report entitled "Additional Rate Penalties" (document number A1509590) which discussed the charging of additional penalties on outstanding rates. As an outcome of that paper, Council agreed to cease charging additional rate penalties from 1 July 2015. It was on this basis that the proposed 2015 Funding Impact Statement was prepared.

The effect of this is that from 1 July 2015 Council will no longer charge any additional penalties on rates which are outstanding from previous years.

The October report also proposed that Council agree to remit all additional penalties that had been applied to all rate accounts prior to 30 June 2015 and that had not already been paid or remitted.

Council's current policy specifies that additional rate penalties are to be charged in September and March each year on rates that were outstanding from previous rating years. Because of that, Council could not carry out the remission until after the second set of penalties had been applied in March 2015. Now that these penalties have been charged, Council can implement the remissions in accordance with the October 2014 decision.

This paper has been prepared to complete that process.

2) Discussion and options

Under legislation, a Council can only remit rates where it has adopted a policy allowing it to do so. The current policy contains powers to remit additional penalties where Council is entering into an agreement with a ratepayer to clear outstanding rates. There is, however an additional provision allowing Council to remit rates in excess of those set out in the policy. This was designed to allow Council to consider applications from ratepayers for remissions in unusual or unexpected circumstances.

In this instance, the application is being made by Council to address a particular set of circumstances to assist it to better manage penalties that are unlikely to ever be

paid, and so it is considered appropriate to apply the Council's discretionary provision.

As stated above, Council has already resolved to remit the additional penalties, leaving the final remaining step requiring Council to agree to finalise the process as set out in the recommendation.

There are two exceptions to the proposed remissions where Council has already undertaken specific debt recovery processes:

- where Council has received judgement from the courts in respect of unpaid rates
- where Council has made a claim for unpaid rates to the holder of a first mortgage on a property.

In both of these instances, Council has already expended significant time and money on the recovery process. In the case of the judgement the courts will enforce the payment of the full amount including the instalment and additional penalties. In the case of the mortgage holder, the claim on the lender has already been made and is therefore enforceable.

Because the majority of the rate arrears relate to Māori freehold land, neither of these exemptions apply.

3) Financial implications and budgetary provision

As at 28 April 2015 there was a total of \$31,958,606.48 outstanding in additional penalties. Of this, 18% was on General Land and 82% was on Māori freehold land.

In accordance with normal practices all these penalties are fully provided for in the provisions for bad debt, so this remission will not have any effect on Council's overall financial provision. In reality, the removal of additional penalties will improve Council's over-all financial position as the level of outstanding debt will more realistically reflect expected income.

4) Reason for the recommendation

To finalise the remission of outstanding additional rate penalties process that was agreed to by Council in October 2014.

Manager: Roger Taylor - General Manager - Corporate Services Group

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

The decision-making process has sought to -

- a) identify all reasonably practicable options for the achievement of the objective of a decision; and
- b) assess those options by considering-
 - i) the benefits and costs of each option in terms of the present and future interests of the district or region; and
 - ii) the extent to which community outcomes would be promoted or achieved in an integrated and efficient manner by each option; and
 - iii) the impact of each option on the local authority's capacity to meet present and future needs in relation to any statutory responsibility of the local authority; and
 - iv) any other matters that, in the opinion of the local authority, are relevant; and
- c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.

Relationship with existing policies and Community outcomes.	Consistent with the policy agreed to by Council in October 2014 and the proposed Long Term Plan 2015-2025.
Possible implications for the relationship of Māori and their culture and traditions with their ancestral land, water, site, waahi tapu, valued flora and fauna, and other taonga.	This proposal recognises the issues arising from the collection of rates on Māori freehold land.
Views or preferences of persons likely to be affected by, or to have an interest in the matter, including persons with disabilities, children and older persons.	Not applicable
Does the issue, proposal, decision or other matter have a high degree of significance or engagement as determined under the Council's Policy #2124?	Is consistent with the proposed Long Term Plan 2015-2025.
If the matter has a Community rather than a District wide relevance has the Community Board's views been sought?	Not applicable
Financial Implications and Budgetary Provision. Financial Controller review.	The proposed remission of penalties will not have any effect on Council's overall financial provision as all of the penalties have already been fully provided for in the provisions for bad debt. The Financial Controller has reviewed this report