

CMEETING: FINANCE COMMITTEE – NORTHLAND REGIONAL COUNCIL

Name of item: REVENUE AND COLLECTIONS QUARTERLY REPORT as at 11 December 2020.

Author: Margriet Veenstra, Manager - Transaction Services

Date of report: 25/01/2021

Executive Summary

The purpose of the report is to provide quarterly reporting to Northland Regional Council on action taken to collect current rates and rate arrears, and to provide information on how collection is tracking against targets.

1) Background:

This document has been prepared to highlight the actions taken by Far North District Council for the collection of the Northland Regional Council's rates and to reduce the monies outstanding. This report is prepared as at the end of the second quarter of the financial year 2020/21.

2) Discussion and options

The information has been identified for General Title and Maori Freehold Land rates and water accounts. The arrears balance for General Title rates since the 1st quarter report has been reduced by 14% and Maori Freehold Land rates reduced by 1%.

General Title arrears update:

Key actions since the last report:

- Between the 1st of October and the 20th of October, debt management proactively called owners of properties with mortgages who are in arrears to offer payment plans to avoid mortgage demand.
- A total of 412 mortgage demand letters were sent in October and November, to the owners of properties with arrears debt of more than \$3,000. To date 54 property owners have paid the arrears balance, 60 have set up a direct debit and 4 have a payment arrangement. A further 92 are making payments to clear the arrears.
- Council Legal team sent letters to 8 property owners, identified for legal proceedings. To date, 7 owners now have a payment arrangement or direct debit in place. Legal proceedings will commence for the one property.

Legal action update:

- Default judgment was received for a further 7 properties since the last report.
- Council currently has judgment secured against 12 properties for \$271,277.79 of which \$227,671.98 is rates debt (FNDC & NRC) and \$43,605.81 costs awarded. Charging orders have since been registered.

- Full payment has been received for a further 3 properties with judgment secured totalling \$40,020.81 in rates arrears and \$11,860.52 in costs. (FNDC & NRC)
- To date, payment in full has been received for 12 properties, totalling \$247,282.61 (FNDC & NRC) in rates arrears and a further 12 properties have a payment arrangement set up in line with rates easy pay.

Next actions:

- Issue final demand to the mortgage providers for those who were notified in October and November, for which no communication nor payment has been received.
- Issue mortgage demand to the owners for properties with a mortgage, with an arrears balance of \$3,000 or less.
- Prepare and submit policy for approval by council of next actions for council to take, post default judgment from the courts.
- Further instructions to external law firm to proceed with additional cases already filed with them and identify properties to commence abandoned land procedures.
- Council legal team to send letters to an additional 20 property owners identified for potential legal proceedings.

For the total number of General Title rates and water accounts marked as 'Debt recovery action to commence':

- These are properties where there is no mortgage, no payments have been received and the owner has not contacted council to discuss payment options.
- 31% of these accounts have arrears of more than 2 rating years.
 - 70% of these accounts have received final demand letters from council
 - FNDC legal team now actively involved with legal proceedings.
 - Debt management will send final demand letters to the remaining 30%.
- 69% is for accounts with up to two years rates arrears.
 - Debt management to commence calling.
 - If no contact is made, demand letters will be sent.

Debt management have occasional communications with the Te Hono team regarding payment of rates arrears for Maori Freehold Land.

Collection Data

An analysis of the arrears, by collection status, is included in the following table. Arrears are the debt outstanding at the beginning of the 2020/21 financial year.

Arrears Collection Type Analysis Q2 2020-21						
Collection Type	Arrears \$			% of collection type to Total debt to be		
	General Title	Maori Freehold Land	Total	General Title	Maori Freehold Land	Total
Direct Debits	65,184	25,352	90,535	7%	1%	4%
Other Payment Arrangements	17,712	2,087	19,798	2%	0%	1%
Abandoned Land	48,154	3,014	51,167	5%	0%	3%
Legal Action Commenced (external)	93,406	0	93,406	10%	0%	5%
Legal Action Commenced (FNDC)	9,139	0	9,139	1%	0%	0%
Deceased	45,629	17,088	62,716	5%	1%	3%
Liquidation	2,118	0	2,118	0%	0%	0%
Mortgage	293,189	0	293,189	30%	0%	15%
Total under above arrangements	574,529	47,540	622,069	59%	2%	30%
Debt recovery action to commence	405,964	2,659,700	3,065,664	41%	98%	70%
Total Debt to be collected	980,493	2,707,240	3,687,733	100%	100%	100%

Council's remission policies

Council's remission policies are designed to recognise the unique nature of the Far North with its significant areas of unoccupied Maori freehold land. Overall the policies address issues of financial hardship and the protection of areas of land with particular conservation or community values. The following table shows the instance of remissions for each policy and the financial impact of these remissions.

Policy Name	Number Remissions as at 31 December 2020		Remissions to 30 June 2020	
	2021		2020	
	Qty	\$value	Qty	\$value
Maori Freehold Land Remissions	599	\$ 146,549.22	712	\$ 180,346.37
Charitable or Community Organisations	60	\$ 20,624.61	54	\$ 14,747.14
Remission of Postponements	0	\$ -	20	\$ 11,246.32
Contiguous Properties	474	\$ 112,807.11	402	\$ 85,453.73
Properties partly in District	1	\$ 156.03	1	\$ 139.76
Conservation Property	229	\$ 66,669.08	225	\$ 59,204.74
School Sewerage Remission	0	\$ -		
Excess Water Remissions	0	\$ -		
Total	1,363	346,806	1,414	\$ 351,138.00