

7.2 FINANCIAL HARDSHIP POLICY - AMENDMENT TO ASSIST RATEPAYERS SUFFERING HARDSHIP TO REDUCE THE INTEREST RATE CHARGED ON DEFERRED AND ARREARS RATES

Submitting Councillor: The Mayor

MOTION

That Council amends its Financial Hardship Policy to:

- 1. Reduce the interest rate charged for the deferral of Council rates for persons qualifying under our Financial Hardship Policy from 4.75% to 2.5% per annum*
- 2. Reduce the interest rate charged on deferred rates for eligible recipient pensioners to 0% where a person is over the age of 65 can prove they have lived in their home for more than 10 years.*

BACKGROUND

I am recommending that Council reduces the interest rate from 4.75% to 2.5% per annum for all persons qualifying under our Financial Hardship Policy for deferral of rates. In addition, for eligible pensioners over the age of 65 who can prove that they have lived in their homes for more than 10 years, I am proposing that we remove an interest charge entirely.

Council's Financial Hardship Policy includes provision for a 50% discount to the Penalty Interest Rate for interest on approved deferrals only. Being an eligible pensioner satisfies as hardship under the policy. Section 172 of the *Local Government Act 1989* permits Council to require a person to pay interest on any amounts of rates and charges which a person is liable to pay. The interest rate is fixed under section 2 of the Penalty Interest Rates Act 1983.

The penalty interest rate has been set at 9.5% for 2016/17. Therefore, the current effective rate in the Policy for deferrals is 4.75% (50% of the fixed rate). I recommend that Council should resolve to change to an alternate interest rate charge for eligible residents.

The current policy states that where a deferral is approved the balance of rates owing will be deferred for a period of 12 months at which time a review will be carried out with the ratepayer to determine the ratepayer's circumstances.

DISCUSSION

Since the introduction of the Financial Hardship Policy in June 2015 we have had only a handful of applications for consideration under the hardship provisions. Every rate notice includes information about the policy and Council's website includes information about how to apply. We have not had many enquiries from pensioners over the past year, most likely because many would find it unpalatable to accumulate penalty interest on their Council rates. It would be expected that given an opportunity to defer their

rates, combined with a zero interest, this would encourage more eligible pensioners to request this option. This provides a more attractive option for older residents wanting to remain in their home but who are finding it difficult to do so because of substantial and unpredictable rate increases arising from property revaluations.

Monash Council is urging its ratepayers to sign a petition calling on the state government to reform Victoria's archaic rating system. Council is concerned that long standing older residents of Monash are considering selling up and leaving the area because they cannot afford their escalating rate bills.

Whilst advocacy is needed and we are trying to push for reform, the policy changes proposed in this Notice of Motion will provide options for immediate relief to those in desperate need. This represents something which Council can do immediately to provide options to those in our community facing significant financial pressures.

While rates have increased by 2.5% on average this year, the 2016 property revaluation means about 16,900 of Monash's 73,300 ratepayers have experienced rate increases of 10% or more. The impact is being felt heavily in suburbs like Glen Waverley, Mount Waverley and Wheelers Hill where property values have surged and where some rate bills have increased by more than \$1,000. Many pensioners, particularly in the areas that experienced higher than average valuation growth have been hit the hardest and many are expressing concern that they may be forced out of their homes.

This proposal seeks to amend Council's Financial Hardship Policy to:

- reduce the interest rate charged for hardship cases from 4.75% to 2.5% per annum for all persons qualifying under our Financial Hardship Policy, and
- reduce the interest rate charged for eligible recipient pensioners over the age of 65 and who can prove they have lived in their home for more than 10 years, to 0% per annum.

CONCLUSION

Council has resolved to advocate for change as we are powerless to soften the impacts of property valuation changes on rates from year to year. These impacts are regrettable and leading to residents in our community to consider moving out of 'hot' property areas because they simply cannot afford to pay their rates.

When it comes to council rates, pensioner ratepayers are the most vulnerable section of our community because they are living off fixed incomes with little prospect of increasing their income in real terms in the future. In addition to our strong advocacy around these matters to the state government we can act now with these proposed amendments to the Financial Hardship Policy with changes that could provide immediate relief to some of those most in need.

The proposed changes will provide an opportunity for eligible pensioner ratepayers to defer their rate payments altogether, without any penalty interest, therefore providing more disposable income to address increased cost of living expenses. Further, the

proposed changes will also offer some additional relief to other ratepayers experiencing hardship with a reduction to interest rates currently charged in hardship cases from 4.75% to 2.5% per annum.