

## **Residential Rates Postponement Scheme**

The objective of the remission policy is to enable the Council to provide older ratepayers with more options and flexibility. It lets older ratepayers decide how best to manage their finances and also gives them the opportunity to stay in their houses for longer.

### **The Background**

Councils throughout New Zealand can now be as flexible as they like in setting a Rates Postponement Policy.

This is due to the Local Government (Rating) Act 2002 and the Local Government Act 2002 having changed the law to allow rates postponements for residential ratepayers. Previously those rates could only be postponed if the ratepayer proved hardship.

The Nelson City Council has elected to offer a scheme that will be available to all residential ratepayers that are aged 65 and over (or over 60 if on a benefit) to postpone their rates for life.

The aim is to give qualifying ratepayers a choice of paying their rates now or later.

Under the scheme, people have the option to postpone payment of all, or a portion of their rates, for a fixed or indefinite period. This is subject to the full cost of postponement being met by the ratepayer (i.e., interest charges and administrative costs), and the Council being satisfied that the risk of loss in any case is minimal.

### **How Do I Qualify?**

First of all, the property concerned must be your usual place of residence.

Secondly, to qualify for lifetime postponement you or your partner must be at least 65 years old (or over 60 if on a benefit) at the time that you make the application.

After you have read this booklet outlining what the scheme is all about, there are basically three easy stages to go through.

#### **1. Confirming your eligibility**

As a first step you are required to fill out the eligibility form (at the end of the booklet).

#### **2. Making the decision**

You will be required to have at least one “decision facilitation” interview with an advisor whose role is to help you arrive at a decision that is in your interests.

### **3. Applying for the scheme**

You can do this by signing the conditional Letter of Offer and returning it to the Council with all required documentation.

#### **“Decision Facilitation” – What’s that all about?**

One of the conditions of joining our scheme is that you must have at least one “decision facilitation” interview with a Decision Facilitation Adviser. For your first appointment, you will be required to bring proof of your age (e.g. driver’s licence, passport or birth certificate).

While “decision facilitation” may sound somewhat tedious, in reality it’s a simple procedure.

Its purpose is to help you make an informed and appropriate decision in your own best interests. It is also to protect the Council from any suggestion of undue influence.

You are welcome to bring family member(s) or an adviser with you to your interview.

You may want to let those people who could inherit your property, know about your intention to postpone rates for payment from your estate – but that is your choice.

#### **What if I still have a mortgage?**

If you have a mortgage, you can still apply for the scheme. However, you will need to have written agreement from the financial institution which funds your mortgage.

#### **When will my postponed rates actually be payable?**

You can choose to pay your postponed rates in full (or in part) any time you like, without penalty. Otherwise, the Council will require them to be paid:

- After you have died, or in the case of couples, the second partner has died. Council is aware that it can take time to settle an estate, and will allow up to 12 months for payment.
- When you cease to be the owner of the property. (However, if you sell your property and buy another one within Nelson City, the Council will consider transferring the outstanding balance, or as much as is needed, to facilitate the purchase, provided it is satisfied that there is adequate security in the new property for eventual repayment.

### **Who pays the costs of the scheme?**

The costs of operating the scheme will be paid only by those whose rates are being postponed. The Council has determined that there will be no subsidy from other ratepayers.

You will not be required to pay any costs up front; they are not payable until the postponed rates are recovered.

As well as annual rates, the costs of the scheme are:

- Annual interest (at Council's marginal rate)
- An annual levy of 1% of the outstanding balance to cover external management and costs of the Scheme. There will also be an annual reserve fund levy of 0.25% to meet the costs of any unrecoverable postponements.
- There is a one-off \$100 application fee to cover the costs of processing the application together with a \$300 contribution towards the cost of "decision facilitation".

### **What if my home is owned by a family trust – can I still apply?**

Yes, but there are special requirements.

The issue with trusts is that the trust is technically the legal ratepayer. If you live in a house owned by a trust, or you have a life tenancy/remainder agreement, you are eligible to apply. However, the Council must be satisfied that all people with an ownership interest in the property have agreed to be part of the Scheme. As well as trustee(s) this may also include beneficiaries, depending on the terms of the trust deed.

The Council will require a letter from the trust's lawyers to confirm that all parties whose consent is required have in fact consented, and that they have the legal authority to do so. The Council's conditional Letter of Offer will also need to be signed by both the applicant(s) and all parties whose consent is required.

### **Why is the Nelson City Council offering rates postponement?**

The law now allows councils to offer rates postponements to residential ratepayers. Our Council has made the decision to offer residential property owners a choice as to when they can pay their rates.

### **What are the benefits for me?**

If you don't have to pay rates each year, you'll have that extra money to do things that you really want to do. A holiday, house maintenance ... it's your choice. For a lot of people, not having to pay rates can considerably ease the financial pressure.

### **How will I know what the accumulating costs are likely to be over time?**

The Council has developed a financial model for the scheme. Whenever you request it, we will give you a "snapshot" of our total accumulated costs compared to the value of your property at that time.

### **Will I get myself so far into debt that it can't be repaid?**

No. If the total postponed charges reach 80% of the value of your property, future postponement will cease. From then on you will be required to begin paying your rates up front again.

However, this will not affect postponements that have already been made.

The postponed rates will continue to accrue, along with the associated costs, and will still be repayable when you sell the property, or when you die.

You can be assured that there will never be a liability on you (or your estate) beyond the value of your property. Any shortfall when the house is sold (for example, due to unexpected falling property values) will be covered by a reserve fund levy.

### **What about insurance?**

If you have insurance for your property when you apply, you will be required to keep it insured and to produce evidence of this each year.

If you don't have insurance, you will be required to take on insurance.

Insurance is to protect you and the Council if your home is substantially damaged or destroyed. It means that the postponed rates debt will not affect the rebuilding or replacement of your home.

### **Do I have to postpone all of my rates or can I postpone part of them (just the amount I need)?**

The Scheme is extremely flexible so, yes, you can apply to postpone all or part of your rates. Once you are in the Scheme, you can vary the amount you postpone depending on your financial situation. This is something you will need to discuss with Council staff.

**Does the Council get an ownership right in my house?**

No, you retain full ownership. The Council simply has first claim on your property for the postponement amount that has accumulated, when it is sold or becomes part of your estate.

**Do I need to consult a lawyer about this?**

If you think you should. However, there is no need for your lawyer to be involved.

**Can the Scheme be reviewed or suspended?**

The Council's Scheme is in place indefinitely, although it can be reviewed at any time subject to the requirements of the Local Government (Rating) Act 2002. If there were to be changes they would not affect the entitlement of people already in the Scheme to continue postponement of future rates.

Council reserves the right not to postpone any further rates once the total of postponed rates and accrued charges exceeds 80% of the rateable value of the property.

**How do I get started?**

Complete the form at end of the booklet and post or deliver to the Nelson City Council. You'll be contacted to make an appointment with one of our rates staff to determine your eligibility and complete your application.

**How do I find out more?**

Contact us at

Nelson City Council  
Civic House, 110 Trafalgar Street, Nelson  
03 546 0200

PO Box 645, Nelson

Fax 03 546 0239

## Rates Postponement

### Objective

The objective of the remission policy is to enable the Council to provide older ratepayers with more options and flexibility. It lets older ratepayers decide how best to manage their finances and also gives them the opportunity to stay in their houses for longer.

### Conditions and criteria

- Ratepayers must be over 65 (or over 60 if on a benefit).
- No income testing.
- Must have independent financial advice.
- Can postpone all or part of the rates.
- Initial application fee \$400.
- Interest charged six monthly at the Council's marginal rate plus 1% for administration and 0.25% to a risk reserve.
- Debt cannot increase over 80% of the capital value of the property.
- The property must be insured.
- The property must be the prime residence of the ratepayer and owner occupied.
- Repayment is the earlier of:
  1. Sale of the property
  2. Death of the ratepayer (or surviving ratepayer where there is a couple).



## Eligibility / Application Form

I / We would like to confirm my/our eligibility for rates postponement

### Personal details

Applicant name \_\_\_\_\_ Date of birth \_\_\_\_\_  
date/month/year

Second applicant (if applicable) \_\_\_\_\_ Date of birth \_\_\_\_\_  
date/month/year

Postal address \_\_\_\_\_  
post box/street address suburb city

Email (if applicable): \_\_\_\_\_

Phone number \_\_\_\_\_

### Property details

Owner(s) of property (if different from above) \_\_\_\_\_

Property address \_\_\_\_\_  
street address suburb city

Valuation No \_\_\_\_\_ Is the property used for personal residential purposes:  yes  no

The property is insured with \_\_\_\_\_  
(Note: Insurance is a mandatory requirement of the scheme)

Type of postponement sought (if known)  full  partial

### Please sign

Signed \_\_\_\_\_  
First Applicant Date

Signed \_\_\_\_\_  
Second Applicant (if applicable) Date

If there are more than two owners, please obtain and complete an application extension form.

### Fold, seal and send Freepost

Rates Postponement  
Nelson City Council  
P O Box 645  
Nelson 7040

