

Quarterly finance report

Meeting: Audit, Risk and Finance Committee
 Date of meeting: 10 June 2021
 Reporting officers: Christine Toms, Revenue Manager

Purpose/Ngā whāinga

To monitor financial performance.

Executive summary/Whakarāpopototanga

Commentary is provided on both land debt outstanding and sundry debtors.

Recommendation/Ngā tūhunga

That the Audit, Risk and Finance Committee:

- a) Notes the quarterly finance report as at 30 April 2021.

Context/Horopaki

Council staff provide the Audit, Risk and Finance Committee (the Committee) with an update on year to date debtors. Graphs have been provided to clarify debtors further.

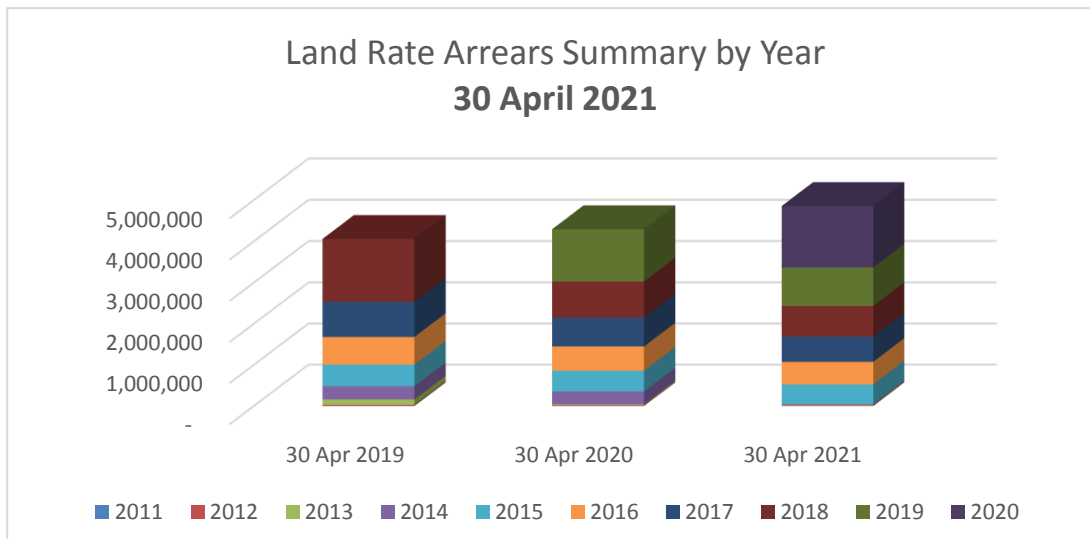
Discussion/Ngā kōrerorero

Rates Debtors as at 30 June 2021

This report excludes debt from the current rating year.

All information in this report relates to debt prior to July 2020. The beginning of each rating year sees the opening debt balance increasing substantially due to the debt from the previous year being moved from current to previous year arrears. We are currently at the end of the rating year so would expect to see a drop in arrears.

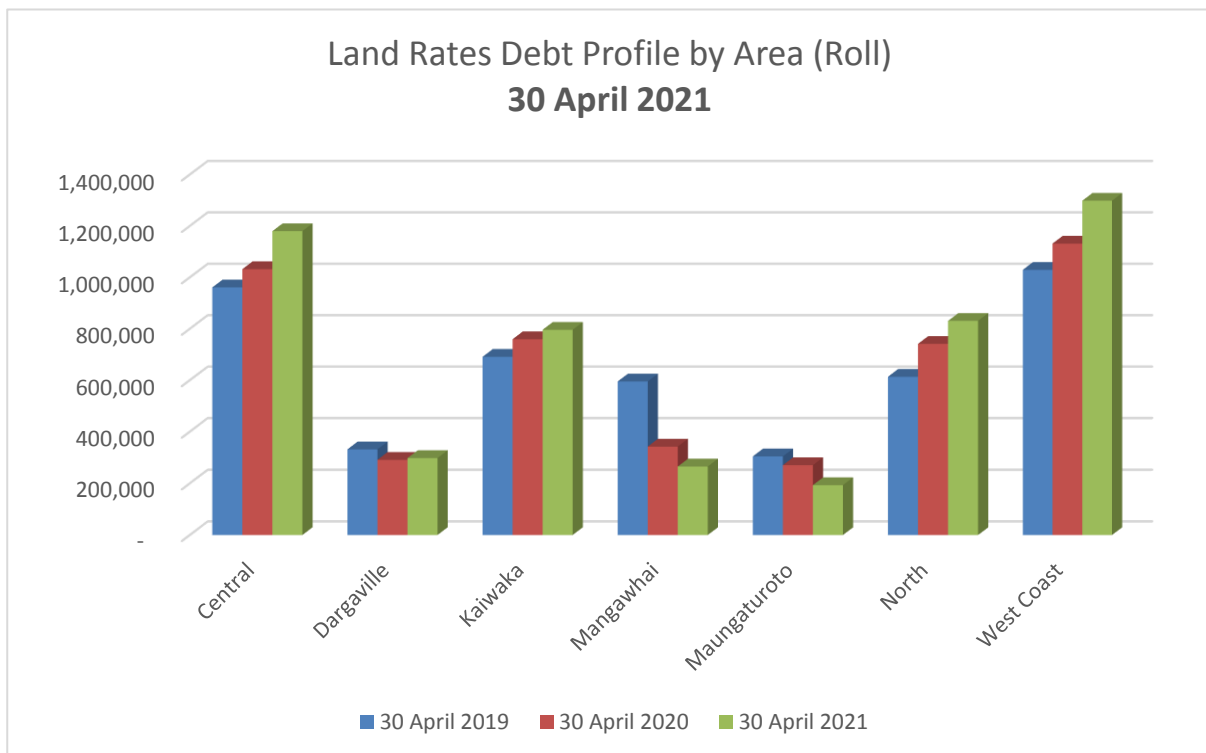
The graph below shows the allocation of total land rates arrears debt over the previous three years as at 30 April of each year.



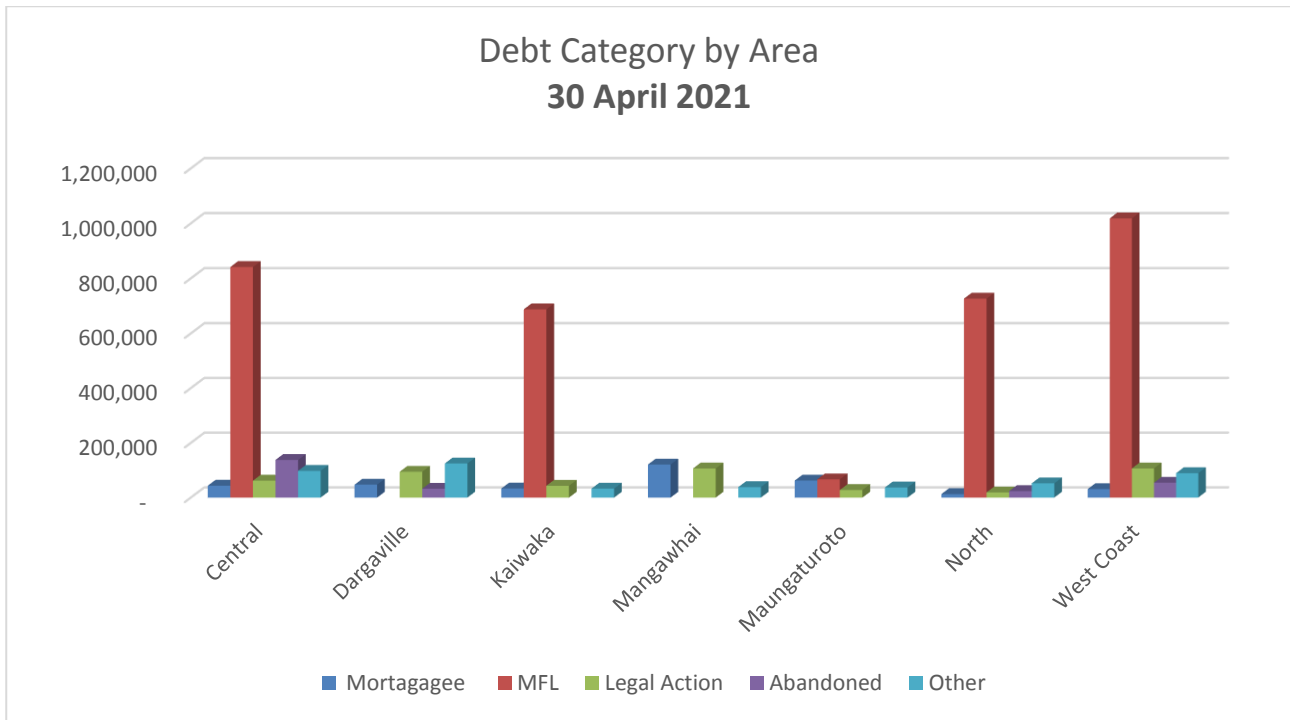
As shown above, outstanding rate arrears has increased, some of the increase is due to the mortgagee demand process being on hold due to Covid 19. This process will be initiated again in July 2021. The annual rates increase also adds to the debt figures. It also reflects what we would expect to see, with the majority of debt sitting in recent years due to Council's policy of allocating payments to the oldest debt first.

At 30 June 2020 rates arrears debt was \$6,927,330, at 30 April 2021 the debt was \$4,861,517 (a reduction of \$2,065,813).

The chart below compares the arrears debt over three years and shows, by roll where the debt sits.



Key changes between 30 April 2020 and 30 April 2021 are: Mangawhai and Maungaturoto have reduced debt compared to the previous years, Dargaville remains similar to previous years and there are no Maori Land in this area, whilst North, West Coast and Central have seen increased. Comparing to January 2021 we note a reasonable decrease for Kaiwaka and Mangawhai. Again, no mortgagee demands have been sent out during this current rating year which has contributed to the increased debt level when we compare the debt to the same time last year. As discussed in earlier reports the Central (Turiwiri through to Matakohē), North (Northern Border, Waihue to Mangakahia), West Coast (Waipoua through to Te Kopuru and Pouto) areas have a high proportion of Maori land, which carry a high level of rates debt. This is shown graphically below.



The table below summarises all key categories whilst the chart above shows the distribution of the debt by category and area.

Arrears debt	31 January 2021			30 April 2021	
	No	\$		No	\$
Mortgaged Properties	158	443,720		120	349,801
Maori Freehold Land (MFL)	105	3,245,976		126	3,339,484
Legal Action	39	449,210		43	458,095
Abandoned Land	11	247,477		11	247,477
Other	284	814,321		231	466,660
TOTAL	597	5,200,704		531	4,861,517

Mortgaged Properties Category

The previous report advised that the mortgagee demand process had been delayed due to Covid-19 lockdowns and future economic uncertainty within the community. We will restart this process in July 2021. We expect to see a large reduction in rates debt in the later part of the 2021/22 rating year.

Despite the fact that the standard process around contacting mortgagees about outstanding rates has been put on hold, we note the debt in this category continues to reduce. This is due to customers working hard to ensure that rate payments are met or, payment arrangements are entered into which is a result of the regular communication from the revenue team. We are repeating messages to customers, being clear on our processes and encouraging customers to make regular payments to prevent them from having arrears. Staff continue to communicate with these customers and advise them when a penalty has been applied to their rates account, whilst also discussing the rates rebate scheme, payment plans and direct debit options. As circumstances change for customers the construct of this group will change.

The properties reported in this category currently are those that were identified last year as having a mortgage. This information will be updated in July/August and future reporting will reflect the updated number of properties and associated debt.

Maori Freehold Land

In April 2021, the Government passed significant changes to reduce rating barriers for Māori landowners. A practical guide has been provided by the Department of Internal Affairs to assist with implementing the Local Government (Rating of Whenua Māori) Amendment Act. The key focus of these changes is to support landowners and their whānau to develop their whenua. These amendments include giving the Chief Executive power to write off rates that cannot reasonably be recovered and provides that unused Maori freehold land will be made non-rateable after 1 July 2021.

The first step has been to confirm Māori land within the district. After due process we see a total of 379 Māori whenua blocks within Kaipara District.

From 1 July 2021 unused Māori whenua is non-rateable. We have identified 20 blocks with no obvious use ie covered in gorse or bush, land locked, or with no visible development. These blocks will be made non-rateable in July with rate arrears of approximately \$865,000 being written off in the first quarter of the 2021/22 rating year. Further review of other Māori land and landowners contacting Council could result in further rate arrears being written off.

We continue to be mindful that whenua is a taonga tuku iho to Māori and is a sensitive issue for whenua owners. With this in mind our focus going forward will be around establishing good communication plans highlighting the benefits of the recent rating amendments. Good communication will build relationships and likely smooth the implementation process of the Act.

Māori Freehold land has unique characteristics, such as multiple ownership which can often be a challenge for Council when communicating with landowners.

Legal Action

We have proceeded with registering charging orders for properties that have had failed payment arrangements on. This is a last resort, they don't have a mortgage, some situations are complex and saddening or simply they have no ability to make payments. Our interaction with this group of customers shows it is beneficial to all parties to discuss options and set out pathways of where customers can get assistance before debt becomes aged. A charging order secures the debt and ensures that it is not written off at the statute time limited period of 6 years.

Of the 43 properties in this legal action category, 4 are on payment arrangements, 16 have charging orders registered against their title. This prevents the property changing ownership without the rates debt first being paid, Councils interest is protected. These charging orders are different from other charging orders in that they do not expire after 2 years and remain in force until a memorandum of satisfaction is registered.

Next steps for these properties would be to proceed to have judgment enforced by sale or lease of the rating unit, in accordance with the Local Government (Rating) Act 2002. We will prioritise investigating the options around this for future discussion.

Abandoned Land

The next step is to proceed with abandoned land sales. A number of interested parties have contacted staff to register their interest in purchasing some of these blocks of land.

Other

Staff continue to make progress with customers requiring payment arrangements and options are presented so customers can decide what suits their situation best. Improvements in processes have been successful in clarifying next steps and gaining momentum on direct debits. This is building rapport with our community and providing relief to customers requiring this extra support and payment options that assist with their cashflow.

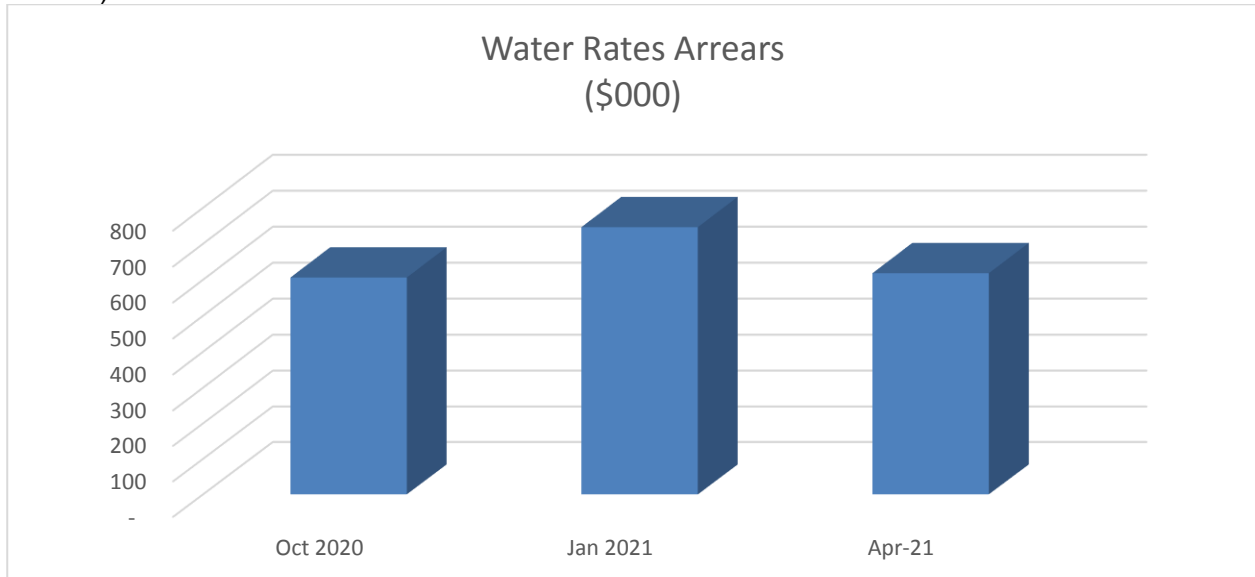
We are communicating with all customers who pay by cheque and are working with them to set up alternative payment methods as we cannot accept cheques after 30 June 2021.

We are reviewing further files that can be sent to the third-party debt collection agency (Credit Recoveries), we will review this further when we identify all properties with a mortgage.

To date we have 2,092 customers (14%) receiving rates by email up from 1,909 (13%) in the previous quarter, 3,673 customers (25%) paying rates by direct debit, up from 3,505 in the previous quarter (24%).

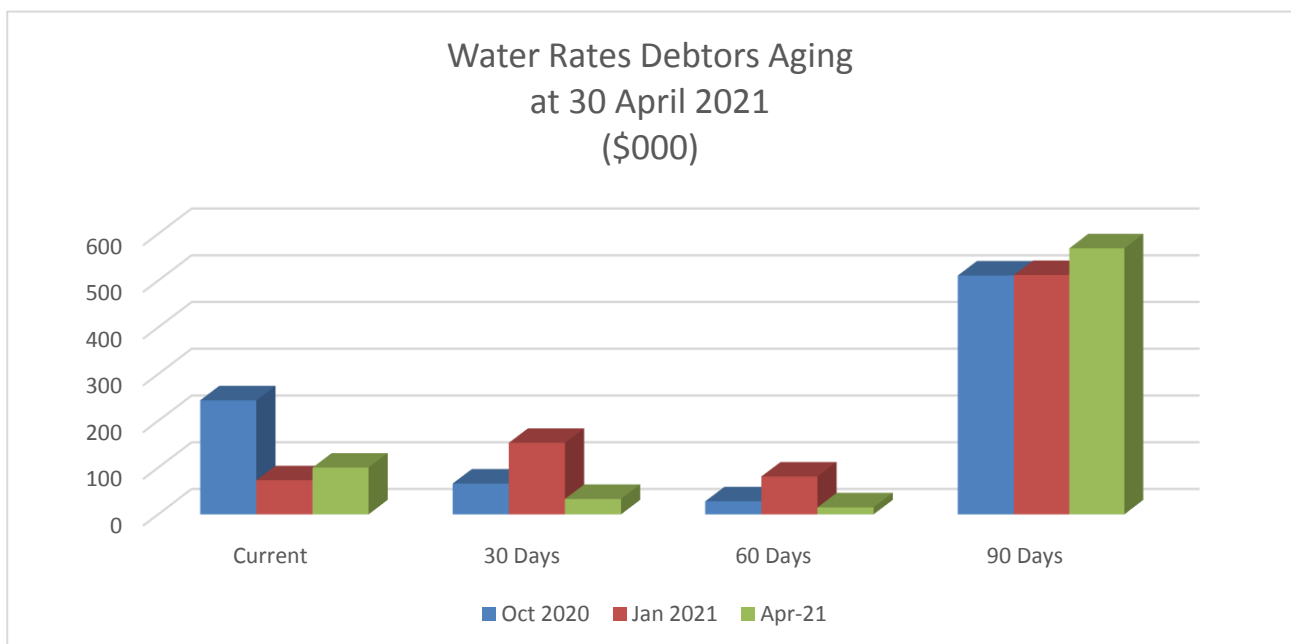
Water Rates Debt

The water rates information shows levels of water debt for the current rating year (and also arrears). This differs to the land rates information.



The table above illustrates a decrease in water rates debt from Jan 2021 to April 2021.

The aging of water debt is shown in the graph below.



Staff continue to chase water debt at the same time as land rate debt. Each month see's varying areas being invoiced, some months have a higher property count than others. The Current category shows charges not yet due. This makes it difficult to identify the trends as to why debt levels fluctuate. Each property receives an invoice every 6 months. Water accounts have been reviewed during the last quarter and staff have implemented processes including sending letters to follow up on missed payments. This appears to be having a positive effect on reducing debt in the 30 and 60 day categories and we can see improvement in levels of collection. We can see that customers are often paying land rates and not their water accounts.

Whilst reviewing water arrears we have gathered more data around reasons for non payment, which is shown in the below table.

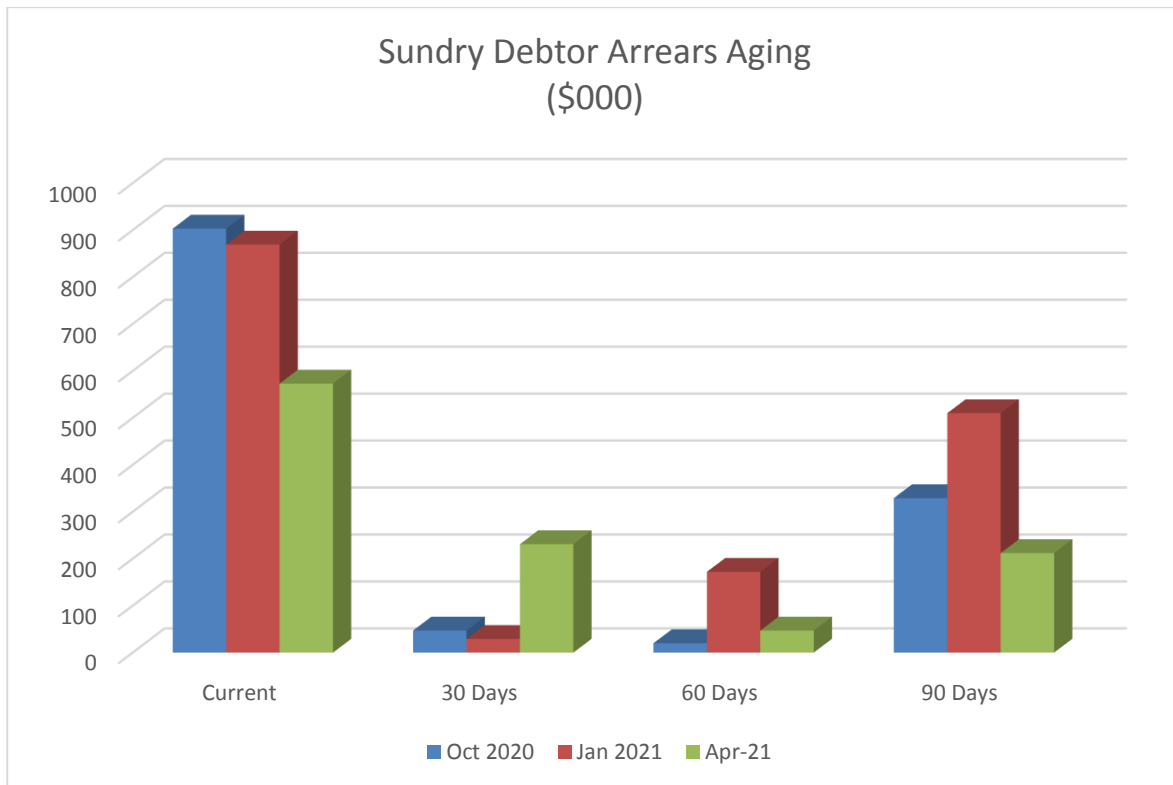
Detail	Number of Accounts	\$
Payment arrangements	15	72,000
Water leak remissions to be processed	14	38,000
Legal action	4	20,000
Dispute	2	45,000
Third party debt collection agency	1	7,000

The upcoming mortgagee process provide further detail around properties with mortgagee interest.

There are varying reasons for water arrears, broad categories are:

- Payments being mistakenly made to land rate accounts in error
- Water leak remissions which are generally not processed for 6 months, after it is proven that a leak has been repaired and the next reading confirms that usage has reduced
- Disputes, these are complex and take considerable time to investigate and facilitate the way forward
- Contractor errors
- Inadequate payment amounts or funds solely going to the rates due to affordability

Sundry Debtors



The above graph demonstrates a decrease in current, 60 and 90 days debt.

Current sundry debt that is not due yet sits at \$573k across 144 accounts.

The 90 day debt sits at \$213k reduced from \$510k in the last quarter.

In the last quarter a total of 143 accounts have been repaid in full, totaling \$506k worth of debt. The table below provides detail around the aging and debtors groups.

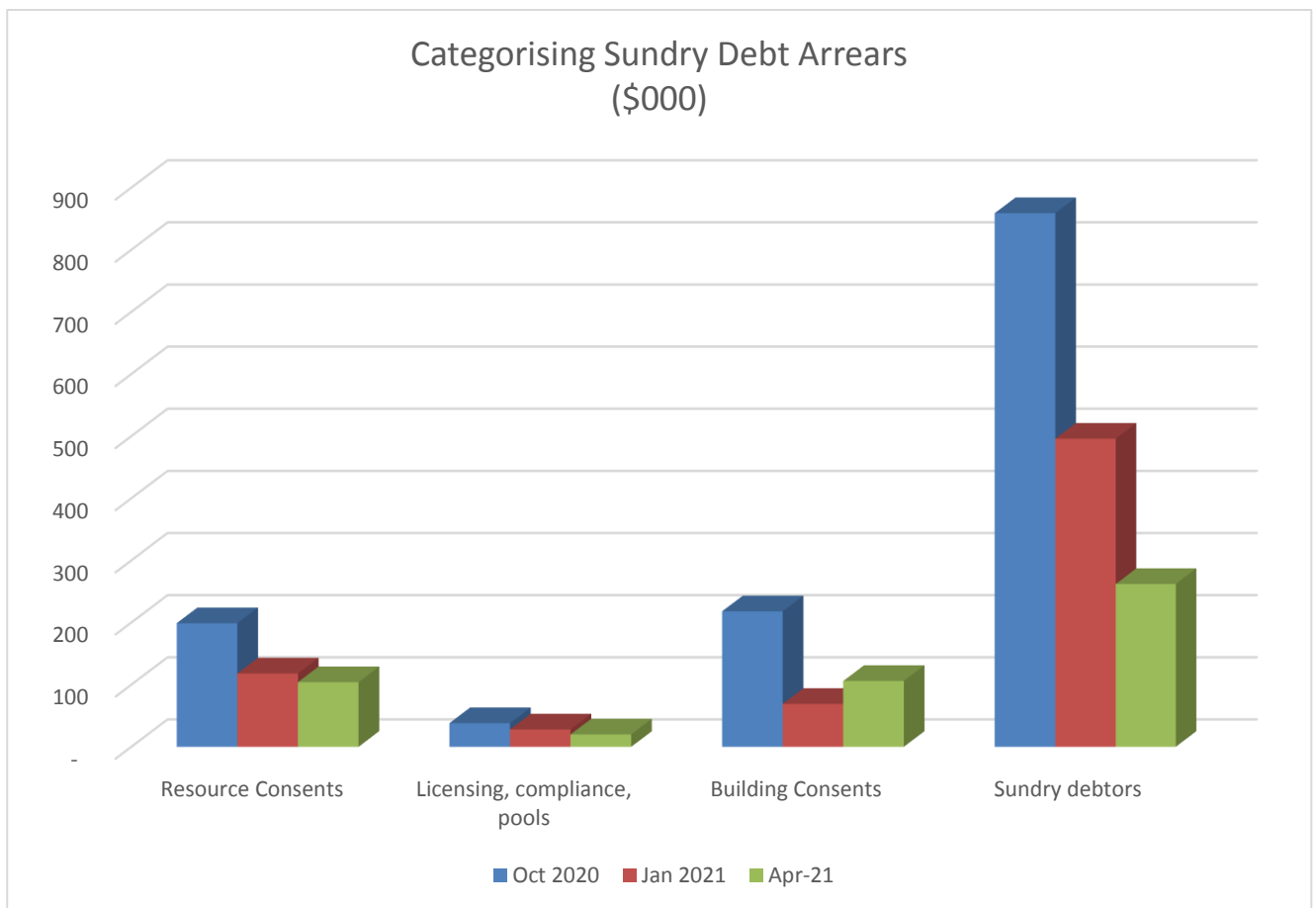
Other Debtors Aged Arrears at 30 April 2021	30 Days		60 Days		90 days		Total Arrears		Current	
	\$	Number	\$	Number	\$	Number	\$	Number	\$	Number
Resource Consents	21,670	26	1,747	4	81,085	29	104,502	59	134,308	49
Licensing, compliance, pools	2,930	7	1,490	4	15,313	21	19,733	32	9,732	22
Building Consents	43,558	11	165	1	62,013	11	105,736	23	34,400	27
Sundry debtors	163,720	10	43,622	3	54,451	21	261,793	34	395,009	46
Total	231,878	54	47,023	12	212,863	82	491,764	148	573,448	144

The process for resource and building consents means that these debts are often not collectable on the due dates. This is because customers are entitled to object to resource consents and there's a vetting process which can delay the payment of building consents. There is approximately \$100k that currently falls into these categories and are therefore non-collectable at this stage.

Staff are referring more debtors to a 3rd party collection agency and have moved more accounts through to them for collection in the past quarter, bringing the total to 21 accounts across 25k.

Debt collection activity is further broken down below:

All debtors as at April 2021	30 Days		60 Days		90 Days	
	\$	Number	\$	Number	\$	Number
Credit control	213,666	50	36,482	7	40,738	34
With debt collection agency	-	-	-	-	25,099	21
Building Consents (not collectable at this stage)	16,900	2	-	-	55,915	2
Resource Consents (not collectable at this stage)	-	-	1,230	1	24,201	3
In dispute (not collectable at this stage)	990	1	-	-	7,699	4
Under payment arrangement	322	1	8,622	3	53,960	14
Hardship (waiting for covid 19 grant to be completed)	-	-	690	1	1,859	2
Potential write off - to be confirmed	-	-	-	-	3,393	2
Total	231,878	54	47,023	12	212,863	82



The total debt reported here is \$492k this excludes current charges not yet due. All categories, with the exception of building consents have seen a decreased debt level.