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**NAME OF POLICY:** Financial Hardship Policy

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**POLICY MANUAL:** Finance

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## **BACKGROUND**

The Council is committed to assisting customers and ratepayers experiencing financial hardship. This Policy sets out how the Council assists customers and ratepayers, who are experiencing temporary or ongoing financial hardship, and are finding it difficult to manage the payment of rates and/or sundry charges which are currently outstanding or will be due and payable at a future date.

## **KEY PRINCIPLES**

When responding to requests for financial hardship, the Council will always show respect, empathy and sensitivity towards the situation.

The principles that underpin the assessment of financial hardship are;

### **Accountability and Transparency**

The Council's practices and decisions are underpinned by accountability and transparency and must accord with the requirements and intent of relevant legislation and accepted conventions.

### **Fairness and Equity**

The Council will ensure that outstanding debts are managed fairly and equitably and the application this policy is consistent. In applying this Policy, the Council maintains that parties who incur debts, do so in full expectation of meeting the prescribed repayment terms.

The Council also acknowledges that organisational and individual financial circumstances can change. If difficulties are anticipated, individuals and organisations must promptly initiate discussions seeking alternative payment arrangements.

### **Responsibilities**

The Council will ensure that customers and ratepayers fully understand the commitments that they and the Council agree to and the requirements that both parties need to do to fulfil those commitments.

Hardship, though, is a partnership that also relies customers and ratepayers being committed to the principles and requirements of the arrangements put in place, including remaining in contact with the Council and providing information to help the Council understand your circumstances so we can provide the most appropriate assistance to you.

Responsibility for managing the review of financial hardship requests rest with the Council's Finance Unit.

## **POLICY**

Financial hardship is when a person is willing but unable to meet their financial obligations because of unexpected events or unforeseen changes that impacts cash flow, for example;

- changes in income or expenditure;
- changes in employment status (such as losing a job or having hours reduced);
- significant life events such as a relationship breakdown or death in the family;
- injury or illness; and
- emergency events or natural disasters

An important consideration to acknowledge is that a person in financial hardship can reasonably be expected to recover their financial position if appropriate assistance or arrangements are provided. Financial hardship assistance is intended to bridge the time between when a person's circumstances change and the time when they can start paying their debt in full – either because the original financial situation is restored (e.g. a person is re-employed after a period of unemployment) or because a new repayment arrangement is agreed which the person can meet.

Financial hardship does not include circumstance where a person chooses not to meet an unpaid financial obligation for which they are liable for.

There are two types of financial hardship: ongoing and temporary.

- **Temporary Financial Hardship** – Customers and or ratepayers who may have been identified as experiencing temporary hardship are those who have experienced a short-term change in circumstances. In the case of temporary financial hardship, the Council will provide payment flexibility and temporary assistance, such as extension of time to pay or an alternative payment arrangement.
- **Ongoing Financial Hardship** – Customers and or ratepayers who may have been identified as experiencing ongoing hardship are those who have experienced a change in circumstances and one in which they do not expect to recover from within a reasonable timeframe. The Council will provide ongoing assistance focussed on bridging the time between when a person's circumstance change and the point when they can start paying their debit in full – either because their original financial situation is restored or because a new repayment arrangement is agreed which the customer can meet.

Depending on the type of hardship being experienced, the needs will be different, which require different solutions.

The Council will require persons seeking Financial Hardship to submit an application, certified by an accredited financial councillor, including details of the applicant(s) and a Statement of Financial Position (Income and Expenditure) with an express opinion of the financial hardship.

While an application for financial hardship is being assessed, the Council will place on hold and/or suspend debt recovery process.

The Council will not commence legal action for the recovery of the debt relating to rates and/or a sundry debtors invoice for a customer, if the customer has agreed to a payment arrangement and continues to adhere to the terms of the payment arrangement, irrespective of whether the customer has been assessed for financial hardship.

When assessing an application for financial hardship assistance, consideration will be given to but not limited to the following:

- the applicant is on Centrelink income and holds a pensioner concession card or holds a Centrelink low income health care card;
- the applicant is eligible for a South Australian Government concession;

- the applicant has been referred by an accredited financial counsellor or welfare agency;
- the applicant advises they have previously applied for emergency relief (irrespective of whether or not their application was successful);
- the applicants payment history indicates that they have had difficulty meeting their financial obligations in the past;
- the applicant, through self-assessment, has identified their position regarding their ability to pay
- other personal circumstances that the applicant(s) may choose to disclose in order to support their application.

Where the applicant is a non-residential ratepayer, the Council will consider the following criteria;

- independent evidence from the applicant that financial hardship is being experienced, such as a letter from the applicant's accountant, auditor or bank manager; and
- a written commitment from the applicant to an agreed timeframe in which the deferred rates will be paid.

It is acknowledged that industrial/commercial businesses may have tenants who are not directly paying Council rates. The Council will consider applications from landlords on behalf of tenants. The same approval criteria will apply.

As any unpaid rates will ultimately be a charge on the property, no rate deferral agreement will be entered into without the express consent of the property owner.

Financial Assistance provided to successful applicants claiming financial hardship for outstanding rates payments may include;

### **Postponement (s182)**

In the case of postponement, if approved, the balance of rates will be deferred for a period of between three (3) to twelve (12) months, depending on the nature of the the financial hardship (ie temporary or ongoing). A review of the circumstances will be carried out at the end of the postponement time period.

### **Payment Arrangements**

Payment plans may be offered subject to a fair and reasonable minimum payment amount. A condition of a payment plan is paying a minimum amount to ensure the payment of future rate instalment to avoid the outstanding debt increasing further.

### **Interest – Penalty Interest (S181)**

Section 181 of the Act permits the 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 S181(8)(c) of the Act

S 181(9) of the Act allows for a reduction in the penalty interest rates for the ratepayer. The Council recognises that setting a penalty interest rate which is consistent with S181(8)(c) of the Act could have a negative effect on the finances of ratepayers, which prolongs their hardship.

As such, where hardship is established and subject to any agreed payment arrangements being adhered to,;

- the interest rate applied will be cash advance debenture rate for the financial year on the deferred amount; and
- fines for non-payment of quarterly rates instalment will be suspended for the term of the postponement.

Interest on outstanding rates will be levied at the penalty interest rate unless a postponement is granted and a reduced interest rate approved.

## **REVIEW PROCESS**

The Council will review this Policy within 24 months of the adoption date of the Policy.

## **INFORMATION**

The contact officer for further information at the City of Norwood Payneham & St Peters is Council's Financial Services Manager, telephone 8366 4548

## **ADOPTION OF THE POLICY**

This Policy was endorsed by the Audit Committee on 25 May 2020  
This Policy was adopted by Council on 1 June 2020

## **TO BE REVIEWED**

May 2022