

## Facts about the NZ rates deferral scheme

The scheme is primarily about choice. It is an option that may mean a person can enhance their quality of life with the money that they would otherwise be using to pay rates. Or it may simply mean an older person may afford to be able to live in their own home longer.

The scheme is predominantly aimed at ratepayers 65 years and older, as this group is generally recognised as having a high level of equity in their homes, but are often on limited incomes. Older ratepayers can defer payment of their rates indefinitely if they choose. The accrued rates and charges are then paid back from the person's estate when they die or sell their property.

Some councils also offer rates deferral for those under 65, although this is for a fixed period of time. These ratepayers can defer payment of their rates for a period of up to 15 years. At the end of the agreed term, all the rates and charges are then repayable.

The scheme is flexible, in that people can choose to defer all or just part of their rates. This can be for just a short time, and they can repay these in full or in part at any time, without penalty.

One requirement of the scheme is that the full cost of deferral must be met by the ratepayer (ie interest charges and administrative costs). This means that the scheme is not subsidised by other ratepayers. But any charges incurred are not payable until the deferred rates are recovered.

Costs vary slightly depending on the individual council's policy, but generally the annual charges, in addition to the accrued rates payments, are:

- Interest cost, at the council's borrowing rate (to make up for the cost of borrowing to replace the "lost" revenue)
- 1% levy for management of the scheme
- 0.25% levy for a reserve fund (for any unrecoverable money)
- an annual administration fee.

There is also a one off cost for "decision facilitation" (see below).

An important requirement of the scheme is attending a "decision facilitation" meeting. Its purpose is to ensure that ratepayers considering deferral are enabled to make an informed decision. Relationship Services provide this service for all applicants.

In order to protect the council (and other ratepayers), the Local Government (Rating) Act allows the council to register a charge against the title covering the amount of outstanding rates and charges to ensure their repayment when the property changes hands (Note: ratepayers have the right to repay part or all of deferred rates at any time).

# Energy Efficiency and Conservation Authority Energy Retrofit Rates Deferral Option

## Background

EECA's EnergyWise interest subsidy scheme relies on homeowners borrowing and then repaying the capital required to purchase the products and services covered by the scheme. EECA assist homeowners by providing an interest rate subsidy of up to \$1400, and selecting and monitoring the performance of approved installers.

Even with the help of an interest-rate subsidy, not all homeowners will be able to afford the cost of the capital repayments, especially if they are on low and/or fixed incomes. It is important that opportunities to improve the energy efficiency of their homes are made available to homeowners for whom capital repayment may be a difficulty - assisting low income New Zealanders is a priority for this programme.

To help these homeowners, EECA has looked for an option which would allow them to draw down some of the equity in their home. After taking advice, EECA has decided that private sector equity release options would not be appropriate for this programme. Instead, working with the Rates postponement consortium, EECA has developed an option based on a combination of a targeted rate and Rates deferral.