

25 October 2008

Glenn Snelgrove
Chief Executive
Western Bay of Plenty District Council
TAURANGA

By email:

Dear Glenn

Rates Postponement: a new start?

The immediate trigger for this letter is an article in last night's Bay of Plenty Times reporting cutbacks which your council's Services Committee had agreed to in roading because of budgetary pressures.

What really struck me in the article was the reported comments from your rating staff on what is happening with cash flow from rating. To quote:

Rates income is down on last year and talking to the rates team they are coming in later. We're probably going to have more defaulters than in the past. People are paying a lot later and that significantly affects our cash flow.

It looks like a classic double squeeze. Councils are being hit by very high cost increases, much tougher credit market conditions and a political imperative to restrain rate increases (it looks as though generally all councils are trying to hold rates increases to inflation). Ratepayers, especially those on fixed or lower incomes, are experiencing a real reduction in discretionary income as higher costs in areas such as energy, food and petrol impact on limited budgets.

It seems likely that older people, especially those dependent primarily on national superannuation, will be particularly hard hit. With the current fiscal situation of government, and the economic situation generally, there is little prospect of any significant relief either for local government or individual ratepayers from sources such as central government financial transfers, or rising incomes.

Looks very much like the situation for which rates postponement was designed. My guess is that relative affordability will be significantly lower now than it was when the scheme was first put in place.

Apart from the changing economic and financial situation, there has been one other major shift. At a national level, at least, there is now a growing acceptance by older

persons' advocacy groups that rates postponement is actually a positive initiative - several years of looking at alternatives for enhancing your disposable income ranging from home equity release mortgages, to putting your property at risk with schemes such as blue-chip have highlighted how cost-effective and low risk rates postponement actually is. The change in attitude has also been very much helped by the EECA initiative, with councils looking at the option of a targeted rate/rates postponement as a means of releasing home equity for energy efficiency and home heating improvements.

Could be time to look again at how to make older people aware of the existence and benefits of rates postponement. One option would be to approach groups such as Age Concern, the RSA (which has a very substantial welfare function concentrating on older people) and Grey Power with the suggestion of holding one or more public forums for older people on options for dealing with rates payments. This would not only promote rates postponement itself, but also the rates rebate scheme, and payment management options such as payment by instalments.

I know that we got a very poor hearing from Grey Power in the Western Bay of Plenty when the scheme was first introduced. The very different reaction we are now getting through the EECA initiative is not just about Greypower's response to that particular initiative - it also reflects a genuine change in attitude. The issue now is how to ensure that older people understand the rates postponement option and see it as a sensible way of managing their resources.

Should we get together to discuss this?

Yours sincerely



Peter McKinlay
Executive Director