

SPECIAL BUDGET MEETING	22
1 JULY 2020	

## **ADOPTION OF OVERDUE INTEREST ON RATES AND CHARGES FOR THE 2020/21 FINANCIAL YEAR**

M Wise | 63/2/7 | #6363649

### **RECOMMENDATION:**

That Council resolve, pursuant to section 133 of the *Local Government Regulation 2012*, compound interest on daily rests at the prescribed rate of 8.53% per annum is to be applied on all overdue rates and charges for 2020/21 financial year.

### **EXECUTIVE SUMMARY:**

This report is to resolve that interest will be charged at the prescribed rate of 8.53% per annum on all overdue rates and charges. This is a reduction from the previous rate of 9.83% for 2019/20.

### **COMMENT:**

Pursuant to section 133 of the *Local Government Regulation 2012*, interest will be charged at the prescribed rate of 8.53% per annum calculated at compound interest on daily rests, on all rates and charges which remain unpaid after the expiration of the due date for payment.

The *Local Government Regulation 2012*, section 133, defines the **prescribed rate** and the formula for Local Governments to arrive at the maximum prescribed rate which can be adopted.

The maximum for the prescribed rate is the sum of –

- (a) The bank bill yield rate for the day, rounded to 2 decimal places; and
- (b) 8%

The bank bill yield rate, for a day, means the monthly average yield off 90-day bank accepted bills published by the Reserve Bank of Australia (RBA) for the month of March in the financial year immediately before the financial year in which the day occurs. The bank bill yield rate is available on the RBA website.

<https://www.rba.gov.au/statistics/tables/xls/f01hist.xls>

The March 2020 three-month average is 0.53% which added to the specified 8% provides a maximum of 8.53% for the prescribed rate for the 2020/21 financial year which is applicable to all overdue rates and charges. Council operations are reliant on a consistent cash flow and the application of interest is intended to incentivise prompt payment of rates.

Council has the option of charging a lesser rate however has historically charged interest at the maximum rate allowable under the legislation in order to provide the most incentive for ratepayers to pay on time. Late payment of rates impacts Council cash flow which could result in higher debt levels and higher interest expense.

**OPTIONS:**

Option 1 (Recommended):

That Council resolve, pursuant to section 133 of the *Local Government Regulation 2012*, compound interest on daily rests at the prescribed rate of 8.53% per annum is to be applied on all overdue rates and charges.

Or

Option 2:

That Council resolve, pursuant to section 133 of the *Local Government Regulation 2012*, to adopt a rate less than the prescribed rate of 8.53% per annum.

**CONSIDERATIONS:**

Risk Management:

Council has the option of charging a lesser rate however has historically charged interest at the maximum rate allowable under the legislation.

The adoption of the highest rate provides most incentive to pay rates on time. The adoption of a lower rate risks negatively impacting outstanding debt levels and therefore cash flow which could result in higher debt levels and higher interest expense.

Statutory:

Adoption of interest rate to be charged on overdue rates and charges is in accordance with s133 of the *Local Government Regulation 2012*.



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Chief Financial Officer