**15th December 2015**

The Hon Natalie Hutchins MP

Minister for Local Government

Department of Environment, Land, Water and Planning (DELWP)

PO Box 500

East Melbourne 3002

By email: local.government@delwp.vic.gov.au

Dear Minister Hutchins,

**Re: Review of the Local Government Act 1989**

The Northern Alliance for Greenhouse Action (NAGA) welcomes the opportunity to respond to the Department of Environment, Land, Water and Planning (DELWP) consultation relating to the review of the Victorian Local Government Act (the Act) 1989.

NAGA is a network of nine northern metropolitan Melbourne councils, jointly serving 1.1 million people, and the Moreland Energy Foundation, working to achieve significant emissions abatement and energy cost savings by delivering effective programs and leveraging local government, community and business action. NAGA shares information, coordinates emission reduction and adaptation activities, and cooperates on the research and development of innovative regional projects. Together, we have demonstrated significant climate change action innovation at the local government and regional level.

NAGA is currently working in partnership with Victoria’s other Greenhouse Alliances to develop a state-wide program to assist vulnerable households to install solar PV to reduce electricity costs and stay cool in heatwaves. The program aims to achieve this by providing access to low cost finance through the application of additional property charges via the Special Charges Scheme (Sec. 163) of the Act.

However, using the Special Charges mechanism to scale-up such a program (across a region or state) presents a number of challenges for and constraints on councils. Please consider our submission specifically in relation to Chapter Six of the DELWP discussion paper relating to councils rates and charges. We highlight a number of recommendations for modernising the Act to enable councils and partners to deliver such a program at scale.

**6. Councils rates and charges**

As part of their service delivery to the public, councils have the capacity to apply specific charges to individual rates to recover expenses or debt where there is a special benefit to the household. Schemes that utilise these rate charges have been established to support regional scale residential energy programs with significant benefits in New Zealand and California.

In Australia, this innovative approach was pioneered in 2014, through the Darebin Solar $avers program where council applied the Special Charges mechanism to enable 300 pensioners to access solar PV and pay back the cost over 10 years. Participants paid an additional rate repayment of $290 per year (on average) whilst saving approximately $400 on utility bills and were cash flow positive from day one. The ability of the technology to provide low cost energy throughout the day means these householders can cool their homes during heatwaves without fear of ‘price shock’.

Using a rates mechanism to facilitate such a program provides a number of key benefits:

* any outstanding debt is tied to the property title and allows the council to recover debt with accrued interest when the property is sold;
* the purchase and installation of the solar systems are not subject to GST, because the rates charge is GST exempt, translating to greater savings for householders; and
* the rates charge is a legislated charge through an Act of the Victorian Parliament with negligible defaults, providing security and decreasing risks for investment.

However, the successes of these programs are often in part dependent upon the ‘elegance’ of the regulatory framework through which they operate. The recent amendment to the Local Government Act to enable Environmental Upgrade Agreements (EUAs) is an example of how the legislative frameworks can be improved to support rate based schemes. Whilst EUAs are only available to the commercial and industrial sectors, EUA’s offer a number of advantages over the Special Charges mechanism, including:

* The charge is considered ‘off the balance sheet’ of the council; this is particularly important for local government agencies often reluctant to take on debt or extend service provision under rate capping. Under an EUA, the council is merely a debt collector and as such third party financing is ‘off the balance sheet’. This can be a key determinant as to whether a council is willing to take on a Solar Savers type project.
* Endorsement of the new charge is delegated to the CEO (rather than passed by a majority vote in council) and the requirement for the charges to be communicated through public notices are removed, meaning the scheme is less resource intensive for councils to administer. By contrast, applying a special rates charge is administratively complex and time consuming. It currently requires advertising public notice declaration for utilising the special rates charge in this way and a public comment period of 28 days and a council resolution. As the program is a voluntary ‘opt in’ by eligible residents, and is not likely to implicate neighbouring residents, we request removing this requirement for these types of arrangements.

Importantly, the review of the Act provides an opportunity for the State Government to leverage the leanings and lessons from these initiatives. NAGA recommends that the Act’s provisions relating to council rates and charges allow for the following:

* A simple and flexible charge should be able to be levied on any residential, commercial or industrial property (and not the owner or tenant) to achieve environmental or social outcomes;
* the charge should be attached to a Section 32 of the property title;
* the charge should remain GST exempt;
* the charge should be taken ‘off the balance sheet’ of the administering council when finance is provided via a third party; and
* administrative requirements are streamlined to increase efficiencies and reduce time and staffing costs for councils (as per an EUA)

NAGA is willing to work with the State Government and the DELWP team to ensure that consistent and robust approaches for assisting vulnerable households are adopted. This includes working collaboratively to implement programs that unlock investment and generate meaningful long term savings for Victorian households.

Yours sincerely,

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| Paul Murfitt  Chair  Northern Alliance for Greenhouse Action |  |

*The views represented here do not necessarily represent the views of all NAGA members individually.*