

**VLGA**

Victorian  
Local Governance  
Association

SUBMISSION  
**Ministerial Guidelines  
Relating to Payment  
of Rates and Charges**

September 2023

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## Summary

The submission supports the need for a review of hardship and financial hardship policies of councils to ensure fair treatment for individuals struggling to pay council rates and charges. It supports the development of clear, transparent, and accessible policies that avoid resorting to court actions and makes property sales a last resort.

The submission raises the challenges in defining and assessing hardship and financial hardship consistently across councils. It highlights the need for consistent guidelines to govern decision-making, especially when a significant number of ratepayers seek deferral or waiver of payments, as this could impact a council's finances. The submission also stresses the importance of collecting data to understand the financial impact of these policies.

Furthermore, it mentions the practical challenges involved in determining financial hardship and the potential need for additional resources at councils.

## About the VLGA

The Victorian Local Governance Association (VLGA) supports councils and elected representatives (councillors) to deliver positive outcomes for their local communities through high performance leadership and effective governance.

We are member-run and non-partisan. We offer direct support, training, professional development, events, networks, and resources to members and carry out research, policy analysis and advocacy on behalf of local councils.

We are the leading voice for local councils and offer our members the opportunity to realise their true leadership potential and increase their impact.

## Submission

Thank you for the opportunity to comment on the draft Ministerial Guidelines Relating to Payment of Rates and Charges.

It is timely to review the hardship and financial hardship policies of councils to ensure people are treated fairly and that the use of court actions and forced sale of property are a last resort. Councils understand that the public interest is best served by clear, transparent, and accessible policy. Councils also understand that many people in the community are experiencing hardship, and some are having difficulty paying council rates and charges.

As with any important improvement in the way councils operate, the VLGA is also mindful of the need for change to be consistent across the sector and sustainable for councils already experiencing financial constraints. In its submission to the Essential Services Commission (ESC) review of local government hardship provisions in January 2023, the VLGA noted the need to work with the local government sector to address hardship.

We are pleased to see that this has been taken up in both the ESC recommendations and the draft Ministerial Guidelines Relating to Payment of Rates and Charges. In addition, we raised concerns regarding the introduction of additional regulation without investment from the State government to support councils and noted that data needs to be collected to understand better the levels of hardship across the sector and on the very real impact of hardship on councils.

After reviewing the draft Ministerial Guidelines Relating to Payment of Rates and Charges, we would like to address each part of the guideline in more detail.

### The meaning of hardship

The intention in enabling deferral of payment of a rate or charge when a person is experiencing hardship is supported. A broad definition ensures people experiencing all forms of hardship will not be excluded, however, it does present some practical challenges for each council in determining the nature and extent of hardship and putting in place suitable deferral arrangements.

The process to understand a person's circumstances and the support they require needs to be reasonably consistent over time at any one council and between councils to ensure all people experiencing hardship receive fair and equal treatment. Support to develop model guidelines to assess hardship is required.

Governance of decision-making regarding use of public monies, including deferring payment of rates or charges for individuals experiencing hardship, is essential in local government. Uniform guidelines to support decision making will ensure greater consistency and fairness across the sector.

If significant numbers of ratepayers qualify for deferral of payment of a rate or charge, and they seek deferral, it could have significant financial impacts on a council. Rates and charges recover costs incurred to deliver services to people currently living in the municipality and for the future generations who will do so. If these costs cannot be recovered as they are incurred a council will need to rely on reserves or debt. This is likely to be short-term in the case of deferral and the impact on each council will depend on their level of financial reserves or indebtedness.

In the worst case, a council could need to cut services to contain costs and ensure the annual budget is not overspent. Collection of data on the financial impact of deferring payment of rates and charges will ensure it is a sustainable improvement.

## **The meaning of financial hardship**

The intention in waiving payment of a rate or charge when a person is experiencing financial hardship is supported provided the monies owed then become a charge against the property and recoverable at any time the property is sold.

This provides relief to the person experiencing financial hardship but allows Councils to recover the revenue at time of sale. In the short to medium term, this places similar financial pressure on councils to deferring payment in response to hardship, but does not reduce council revenue by a rates waiver

The more detailed definition of financial hardship will help ensure that people experiencing financial hardship are not excluded, however, it does present some practical challenges for each council in determining the nature and extent of financial hardship and putting in place suitable arrangements.

Governance of decision-making regarding use of public monies, including waiving payment of rates or charges for individuals experiencing financial hardship, is essential in local government. The criteria proposed will support decision making and ensure greater consistency and fairness across the sector, however, it will require a council staff member to discuss each person's circumstances in detail to process each claim. This will require an additional officer resource at most councils. Financial assistance should be provided to ensure hardship claims can be assessed quickly and appropriately.

There will need to be a transparent process to assess claims to enable audit and ensure appropriate decision making. The resources required will be additional to those currently available to collect payments at most councils. This is an important consideration for councils already experiencing a spending gap as a result of the rate cap and inflation. Waiving payments will reduce revenue and the process to decide whether or not to provide a waiver will add cost.

Information will need to be requested and provided to enable council officers to prepare a response to each claim. A timeframe should be set for the provision of information requested and direction provided on the completeness of information necessary to make a decision.

The opportunity to engage a third party to assist in assessing financial hardship by providing information or advice will be helpful. It is noted that this will be an additional cost to the council in reaching a decision on a claim.

Collection of data on the financial impact of deferring payment of rates and charges will ensure it is a sustainable improvement. Some council may need access to financial assistance in the event that waiving payments for rates and charges impacts financial sustainability.

The nature of the change anticipated with the introduction of hardship and financial hardship policies, from the work of CEO to customer service officers, is similar to other major cultural changes that have happened at councils. These changes have been externally supported and significant resources have been provided to raise awareness, provide training and employ people in key roles. Financial support should be provided to assist councils in making the cultural change required.

## **The content of hardship policies and financial hardship policies**

Making council policies regarding the payment of rates and charges, including treatment of hardship and financial hardship claims, readily accessible to all people is supported. The guidelines reinforce good practice by councils.

The reporting requirements are also supported. The required information should be available in council financial systems and readily included in periodic financial reports.

In circumstances of economic abuse or family violence the prevention of other owners from accessing information or delaying the application is also supported.

The circumstances in which a council may apply the hardship policies and financial hardship policies.

Access to assistance for all ratepayers in times hardship and financial hardship, and assessment on individual merit, is supported.

## **The process for applying for a payment plan**

The application process proposed for consideration of hardship and financial hardship is supported. Requirements of completeness and timeliness of provision of information to enable a claim to be assessed would be helpful and prevent delays in assessing applications. The guidelines should address claimant responsibilities for provision of the information necessary to assess their claim.

The ability to make written or verbal applications is supported.

Providing ratepayers with information regarding how to make an application for a payment plan before suing for debt or taking action in the Magistrates Court is supported. Again, a timeline is required for the ratepayer to respond to that advice and lodge a claim. The guidelines should address the ratepayer's responsibility to make a claim within a reasonable time when legal action is imminent.

## **The waiver of interest on unpaid rates or charges**

Consideration of waiving interest on payments overdue as part of consideration of a claim for hardship or financial hardship assistance is supported.

## **Conclusion**

Clearly this is a complicated issue and one that requires the state government to work with the local government sector to address. The introduction of additional regulation or prescription without investment from the state government is not the solution and will only serve to further exacerbate the burden councils and residents are facing.

More data needs to be collected to understand better the levels of hardship across the sector and on the impact of hardship on councils.

The VLGA would be pleased to continue to work with the ESC and the state government to identify how best to address these challenges.



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