



11/09/2023

RM/23/20461

Mike Gooley
Executive Director
Local Government Victoria
Department of Government Services

Via email: mike.gooley@ecodev.vic.gov.au

Dear Mr Gooley,

Draft Ministerial Guidelines relating to payment of rates and charges

I write in respect of the draft Ministerial Guidelines Relating to Payment of Rates and Charges currently open for consultation until 15 September 2023 on the Engage Victoria website.

In February 2023, we provided the Minister for Local Government with a paper setting out the Commission's initial views on the content of prospective Guidelines for councils engaging with ratepayers experiencing hardship, including financial difficulties. That paper (attached) set out a comprehensive approach for dealing with ratepayers who may be experiencing vulnerability; including our views on the definition of hardship, key principles that should underpin an effective approach, the content of a hardship guideline, and the steps needed to implement and embed good practice. The paper reflects our desktop research, experience in other sectors and targeted consultation with the local government and welfare sectors. We continue to hold the view that adopting the approach outlined in this paper would be the most effective way of achieving the legislative objectives, as articulated in the second reading speech.¹

The approach we outlined would improve how councils identify and work with ratepayers in hardship and provide ratepayers with fair and consistent treatment. It would also help ensure the sector is adaptive and accountable to community expectations, encourage efficient communication, and reduce the use of expensive court processes to recover debts.

¹ Victorian Parliamentary Debates, Legislative Assembly, 8 June 2022.

After similar approaches were adopted in other sectors, businesses have told us that taking a proactive approach improved cashflow, reduced customer debt levels and helped transition customers back to regular payments.

In working to finalise the Ministerial Guidelines, Local Government Victoria could have regard to the attached paper and, in particular, further consider the following:

- The language used in the Guidelines — the Guidelines will play an important role in developing a common understanding between councils and ratepayers. The language used in the Guidelines needs to be appropriate and not judgemental or overly technical. The language used will set the tone for how councils interact with ratepayers and the content of council policies. The language used in the Guidelines and council policies should encourage ratepayers to engage with councils.
- How a more proactive approach with tailored assistance could be embedded in the Guidelines — the Guidelines should support council policies and processes to prioritise early intervention by proactively identifying and engaging with ratepayers who may be experiencing hardship (see page 3 of our paper).
- The scope for simplifying the definition of hardship — the definition of hardship should not act as a barrier to people who need it accessing support. It should not define, or limit access based on specific situations nor rely on intrusive or judgemental information requirements (see pages 4 to 6 of our paper). A broad definition of hardship would be more consistent with the approaches adopted in other sectors, which could enable councils to adopt policies and practices that have been tested and shown to work well. Ratepayers who are likely to also be experiencing issues with other bill payments would also benefit from greater consistency across service providers.
- How the Guidelines can encourage councils to provide assistance that is meaningful, tailored, and proportionate to individual circumstances. Council processes should avoid complicated or intrusive application processes for payment plans or support. These could act as a barrier to ratepayers seeking assistance. Council policies and processes should only request information that is needed to make a decision (see page 3 of our paper).
- How the Guidelines could better encourage the use of flexible payment plans to assist ratepayers avoid getting into arrears, including not making the application process for payment plans overly onerous. The process and information requirements that apply to water businesses and energy retailers are well established (outlined in the relevant industry standards as referenced in attachment 6 our paper) and provide examples of what could be incorporated into the Guidelines.

- What additional reporting councils could undertake to improve transparency and to help understand the scope of vulnerability and how this is changing over time. In addition to the reporting requirements set out in the draft Guidelines, councils could be required to report on the number of applications for payment plans, hardship assistance and legal actions. This is in line with information that energy and water companies currently report on (see pages 16 to 17 of our paper).

Some elements of the approach outlined in our paper, including the need for cultural change and building sector capacity and buy-in, potentially sit outside the matters that Ministerial Guidelines can cover under section 181AA(1) of the *Local Government Act 1989*. Local Government Victoria should consider whether other instruments (for example, better practice guides and annual reporting requirements) could be used to support the Ministerial Guidelines and promote change. Our experience in other sectors shows that any change in approach to dealing with people experiencing vulnerability will only be successful if there is buy-in from the sector. This needs to be supported by cultural change across the sector, including councils, peak bodies, and Local Government Victoria, to create an understanding and consistent approach to supporting ratepayers in hardship. Our paper highlights the importance of staff training, ongoing monitoring and evaluation, and the significant role senior management and executive support play in embedding effective approaches into councils' culture and values.

Cultural change could also be supported by including a preamble in the Guidelines which sets out expectations around how ratepayers experiencing vulnerability should be treated. This preamble could reinforce that vulnerability can happen to anyone at any time and that councils should proactively support ratepayers experiencing vulnerability. The preamble could also reinforce the legislative objective (taken from the second reading speech) that the use of court actions and forced sale of property are an absolute last resort.

We continue to hear from stakeholders in the welfare sector that councils are significantly behind other sectors in terms of better practice for hardship regulation, processes, and practices. We encourage Local Government Victoria to continue to consult with welfare groups on the content of the Guidelines before they are finalised. These groups have a good understanding of the issues affecting ratepayers experiencing vulnerability and could help maximise the impact of the Guidelines and build support for their implementation.

We are also happy to provide further assistance to Local Government Victoria in finalising and implementing the Guidelines to ensure that they best meet the legislative objectives and address the issues identified in the Victorian Ombudsman's investigation of council approaches to ratepayers experiencing hardship. Our experience in other sectors suggests that the sharing of better practice and experience will be important for councils to develop their understanding of what works well in dealing with ratepayers experiencing vulnerability.

Recommendations of the Ombudsman's investigation and the Local Government Rating System Review, which were supported by the Government, advocated for ongoing support for councils and the sharing of information.²

In other sectors, we have supported the sharing of better practice by holding cross-sector workshops, specialised workshops during the pandemic and developing and releasing better practice guidance material to assist businesses working with victim-survivors of family violence. Councils would benefit from participating in our work with other sectors.

If Local Government Victoria would like to discuss these issues further, you may contact Marcus Crudden, Acting Chief Executive Officer (marcus.crudden@esc.vic.gov.au) or Angelina Garces (angelina.garces@esc.vic.gov.au), Director, Local Government.

Yours sincerely



Kate Symons
Chairperson

Attachment: Initial views on a hardship guideline to the Minister for Local Government, February 2023

CC Mr Paul Donegan Acting Deputy Secretary Department of Treasury and Finance

² See recommendation 4 and government response (page 89) of the [Ombudsman Investigation into how local councils respond to ratepayers in hardship](#) and recommendation 32 (page 100) of the [Local Government Rating System Review](#) and the [Victorian Government's response](#) (page 9).