



Ms Marlene Kairouz MP  
Minister for Local Government  
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MELBOURNE 3000

By email: [marlene.kairouz@parliament.vic.gov.au](mailto:marlene.kairouz@parliament.vic.gov.au)

13 October 2017

Dear Minister Kairouz,

**Re: Exposure draft of the new Local Government Act**

The Eastern Alliance for Greenhouse Action (EAGA) would like to raise an important issue relating to the release of the exposure draft bill for the new Local Government Act, scheduled for December 2017. Specifically, this letter addresses the need to amend the Act to allow local government to better use council rates as a financing mechanism for sustainability programs.

EAGA is a formal Alliance of eight councils in Melbourne's East, committed to delivering mitigation and adaptation projects and advocating for initiatives that support sustainable, low carbon communities. Our members include:

- City of Boroondara
- Glen Eira City Council
- Knox City Council
- Maroondah City Council
- City of Monash
- City of Stonnington
- City of Whitehorse
- Yarra Ranges Council

EAGA is leading the delivery of Solar Savers – local government's flagship program assisting vulnerable households to install solar PV to reduce electricity costs and stay cool in heatwaves. The program is supported by a \$0.76M State Government grant (via the New Energy Jobs Fund) and is being delivered in partnership with three other Greenhouse Alliances across twenty-three

participating councils. The program provides access to low cost finance through the application of additional property charges via the Special Charges Scheme (Sec 163) of the Act.

This model was first used in 2014 by City of Darebin, 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 system is not subject to GST (rates charges are GST exempt) translating to greater savings for householders
- 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 success of these programs are often dependent upon the 'elegance' of the regulatory framework through which they operate. Unfortunately, the current legislation imposes significant administrative requirements on councils utilising the Special Charges scheme for voluntary opt-in programs, largely as a result of the public notice and submission provisions within the Act. These requirements are constraining the delivery of the Solar Savers program and limiting its ability to be effectively scaled-up to the estimated 52,000 low income households that could benefit from such a program.<sup>1</sup>

The recent amendment to the Local Government Act to enable Environmental Upgrade Agreements (EUA) is an example of how the legislative frameworks can be improved to support rate-based schemes. Whilst EUAs are currently only available to the commercial and industrial sectors, EUAs offer a number of advantages over the Special Charges mechanism, including:

- Endorsement of the charge is delegated to the CEO (rather than passed by a majority vote in council)
- The requirement for charges to be communicated through public notices is removed, meaning the scheme is less resource intensive for councils to administer
- The charge is taken 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

The current review of the Act provides an opportunity for the State Government to leverage the learnings and lessons from these initiatives. Where mandatory charges are being imposed on rate payers, 'checks and balances' in the form of public notices and submissions are required. However, in instances where the rate payer voluntarily enters in to an arrangement, a number of legislative improvements can be made.

EAGA understands that the draft legislation has already passed through Cabinet, however, we urge the State Government to consider some minor revisions to the exposure draft bill for release later this year, specifically:

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<sup>1</sup> Solar Rates Business Case Phase 2, EAGA (Sept 2016), Solar PV for low-income households ([link](#))

- 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 be GST exempt
- The charge should be taken off the balance sheet of the administering council when finance is provided via a third party
- Administrative requirements are streamlined to increase efficiencies and reduce time and staffing costs for councils (as per an EUA) through delegation of endorsement to the CEO

EAGA is willing to work with the State Government and the Local Government Victoria legislative team to ensure that consistent and robust approaches for rates based programs are adopted. This includes working collaboratively to implement programs that unlock investment and generate meaningful long term savings for Victorian households.

Kind regards,



Cr John Mortimore  
 Executive Committee Chair  
 Eastern Alliance for Greenhouse Action  
 Councillor, Knox City Council



*This submission has been approved through EAGA's formal governance structure as described in the EAGA Memorandum of Understanding 2017-21. The submission may not have been formally considered by individual member councils.*