

Department of Treasury and Finance

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Hon Sue Smith AM
Chair
Local Government Board
GPO Box 123
HOBART TAS 7001

Dear Ms Smith

Future of Local Government Review - public consultation

As you may be aware, in October 2022, Treasury was provided with some detail around draft proposed reform options being considered by the Local Government Board at that time in relation to the Priority Reform Area of 'Operational Sustainability'. Treasury provided feedback in relation to two of the proposals: the review of the State Grants Commission Base Grant allocation methodology; and a potential pensioner rates deferral scheme.

In relation to the review of the State Grants Commission's methodology, I would note that the Commission is an independent statutory body, established by the *State Grants Commission Act 1976*. The Commission is responsible for recommending the allocation of Federal Assistance Grants to Local Government councils, in accordance with the National Principles under the *Commonwealth Local Government (Financial Assistance) Act 1995*. The manner in which the Commission applies the National Principles is the Commission's decision. The Commission regularly reviews its methodology, including in the context of developments in other jurisdictions. I understand that the Commission is currently reviewing some elements of its approach to assess councils' revenue capacity.

I understand that as part of the next stage of the Future of Local Government Review, investigations are progressing in relation to 'possible alternative approaches to current rating models, which might better support councils to respond to Tasmania's changing demographic profile', which may include further consideration of opportunities to consider rates deferral options.

As you are no doubt aware, there are a number of complexities associated with providing a scheme to permit the deferral of rates payments, including potential financial and regulatory risks that would need to be managed. This could include compliance with the Commonwealth's *National Consumer Credit Protection Act 2009* if it was considered that councils were providing credit to ratepayers. Depending on take-up rates, a significant liability could also accrue over an extended period.

In addition, in order to protect councils' financial interests, it is likely that caveats may need to be placed over relevant properties. Once again, this could create unintended risks or consequences, as became apparent in 2015 when Taswater placed caveats on a number of properties in relation to a sewerage upgrade scheme in Lauderdale.

I hope this information assists the Board in its deliberations. Please do not hesitate to contact Fiona Calvert on (03) 6145 0707 or email Fiona.Calvert@treasury.tas.gov.au should you require further information in relation to the regulatory and financial risks associated with pursuing a rates deferral model.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T Ferrall', written in a cursive style.

Tony Ferrall
Secretary

3 February 2023