

Fact Sheet – Community awareness and engagement for special variations

28 November 2017



WHAT

This fact sheet provides guidance to councils on the assessment criterion for community awareness and engagement in councils' special variation (SV) applications. This criterion is set out in [guidelines](#) released by the Office of Local Government on 9 November 2017.

Under these guidelines, **new councils¹ are not permitted to apply for an SV until at least the 2020/21 rating year.**



WHY

We want to ensure councils fully consult with their communities in a way which satisfies the guidelines. Councils need to communicate the full cumulative percentage increase of the proposed SV, its cumulative impact on ratepayers and the uses to which the funds will be put.

SVs may fund:

- ▼ improvements in the council's financial sustainability
- ▼ reductions in backlogs for asset maintenance and renewal
- ▼ new or enhanced services to meet the needs of the local community
- ▼ projects of regional significance, and
- ▼ special cost pressures being faced by the council.



HOW

Much of the groundwork for the SV occurs when the council's Integrated Planning and Reporting (IP&R) documents are being finalised.

¹ Except Mid Coast Council.

In order to focus its community on the SV it proposes to submit to IPART, the council should employ a variety of methods. These should ensure the community is both aware of the proposed SV and has the opportunity to provide feedback to the council. The council's application is to show how it has taken into account the feedback it received from the community.



WHEN

Council's consultation on the proposed rates increase should occur during the development/revision and public exhibition of the relevant IP&R documents. The council should allow at least four weeks for the community to absorb, and give feedback on, the proposed SV.



WHAT NEXT

The key milestones for the application process are:

- ▼ councils submit Part A and Part B of their SV applications via IPART's [Council Portal](#).
- ▼ public submissions close regarding proposed SVs.
- ▼ IPART publishes its determinations on all applications for SVs for 2018-19.

The timetable can be found on the IPART website.

1. Purpose

This fact sheet provides guidance to councils on the community awareness and engagement criterion in the Office of Local Government's guidelines.² Criterion 2 states that councils must provide:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.

Under these guidelines, **new councils created in 2016 are ineligible for SVs until at least the 2020-21 rating year.**

2. What councils need to do

Effective community awareness and engagement means that the wider community, and not just a small section of it, is well informed about the SV application. The engagement process should enable members of the public to have adequate opportunities to consider the proposed SV and provide feedback to the council in a timely manner.

Councils should follow the IP&R guidance material in developing a community engagement strategy to consult with the community on the Community Strategic Plan, Delivery Program and Resourcing Strategy.

These plans provide councils with a framework for consulting with their communities on expenditure priorities and their willingness to pay for rate increases above the projected rate peg.

Criterion 4 of the guidelines requires the council to publicly exhibit (where required) and adopt the relevant IP&R documents before submitting its SV application to IPART.

3. How we assess community awareness and engagement

In assessing whether a council's application satisfies the community awareness and engagement criterion, we will consider the following principles:

- ▼ whether the council clearly communicated the full impact of the proposed rate increases to ratepayers, and
- ▼ whether the council clearly communicated what the SV would fund.

Specifically, we will consider whether the council's application demonstrates:

- ▼ it has used an appropriate variety of engagement methods to ensure community awareness and input into the SV process, and
- ▼ the community is aware of the need for, and extent of, the rate rise.

Councils should seek feedback from their communities on the proposed SV. Applications should clearly demonstrate how it has considered and responded to issues of common concern to the community. Often these will revolve around the community's capacity and

² The Office of Local Government (OLG), *Guidelines for the preparation of an application for a special variation to general income*, November 2017.

willingness to pay the proposed rate increase. Feedback from the community may be received during the development of the IP&R documents or as a result of consultation on the proposed rates increase.³

Community engagement strategy

There are a number of ways that councils may capture community feedback/input. These include:

- ▼ a mail-out to all ratepayers with a reply-paid survey
- ▼ fact sheets
- ▼ media releases
- ▼ an online survey
- ▼ a random survey of ratepayers, appropriately stratified to capture the population characteristics of the LGA
- ▼ public meetings
- ▼ listening posts
- ▼ resident workshops
- ▼ online discussion forums, and
- ▼ discussions with particular community groups.

Councils should choose methods that reflect the size and impact of the proposed rate increase, and the resources of the council.

Surveys

Consultation material should preferably measure the level of community support for different programs of expenditure by allowing respondents to rank services and/or proposed works in order of priority. Feedback from the community is essential and the views that the council obtains should, as far as practicable, be representative of those of the community as a whole.

It is a matter for each council to decide whether a stratified random survey is useful as part of its community awareness and engagement program. Generally, the nature and extent of the consultation program undertaken should be commensurate with the size of the SV being sought, and the resources of the council.

Where a council decides to undertake a survey, it is important the survey sample is representative of the relevant population, and is of sufficient size (approximately 400 respondents), to generate statistically reliable results. The survey questionnaire should provide respondents with clear and transparent information on the impact and benefits of the SV and what it is to fund, and should not use leading questions.

Best practice engagement avoids the situation where a community is presented with an 'all or nothing' choice. Councils need to present a realistic scenario to the community and not present a worst-case scenario or threaten ratepayers with unrealistic cuts to the most popular community services.

³ Criterion 3 of the Office of Local Government's guidelines requires the council to demonstrate in its application how it has considered the community's capacity and willingness to pay the proposed rate increase. It will also need to show how it has assessed that the proposed SV is affordable to the community.

If service level reductions are contemplated, it should be made clear to ratepayers whether particular services would be maintained at levels insufficient to meet community expectations, or if certain projects would not proceed without approval of the SV.

How information should be presented to the community

The council must present information in a way that community members can understand, explaining why the SV is being sought.

Councils must be able to show that they have fully disclosed all the relevant information to the community and clearly identified the impact of the proposed rate increase on the **various categories of ratepayers**. The information must show:

- ▼ the requested percentage increase(s) including the rate peg (illustrated by the examples in Tables 1 and 2)
- ▼ the cumulative percentage impact on rates (if the SV is for two or more years)
- ▼ whether the increases are temporary or permanent
- ▼ how an expiring SV will affect ratepayers (illustrated by Table 3)
- ▼ rates and rate increases on an annual (not just daily or weekly) basis, and
- ▼ increases in other charges, where these are likely to exceed increases in the CPI.

Councils should show the effect on rates and services if the proposed SV is not approved so that rates are only increased with the rate peg.

How to demonstrate the impact of a proposed single year SV (s508(2))

Table 1 illustrates how councils can communicate the proposed impact of a permanent, single year increase (ie, a 508(2) SV). In this example, average residential rates are proposed to increase by 7.5% in Year 1 and by the assumed rate peg thereafter.

If the average residential rate was \$1000 in the base year, it would rise by \$75 in the first year (Year 1), or \$50 more than would apply under the hypothetical rate-peg-only case.

Table 1 Impact on residential rates of a 508(2) SV of 7.5% in Year 1

	Base year	Year 1	Year 2	Year 3	Year 4	Cumulative increase
Average residential rate under assumed rate peg of 2.5% pa	\$1,000	\$1,025	\$1,051	\$1,077	\$1,104	10.4%
Annual increase (%)		2.5	2.5	2.5	2.5	
Average residential rate with an SV of 7.5% in first year	\$1,000	\$1,075	\$1,102	\$1,129	\$1,158	15.8%
Annual increase (%)		7.5	2.5	2.5	2.5	
Cumulative impact of SV above Base year levels		\$75	\$102	\$129	\$158	

How to demonstrate the impact of a proposed multi-year SV (s508A)

In contrast, Table 2 below demonstrates the proposed effect of a permanent, multi-year increase (ie, a s508A SV). This extends over the whole 4-year period as average residential rates increase by 7.5% in each of these years.

Table 2 Impact on residential rates of a 508A SV of 7.5% pa for 4 years

	Base year	Year 1	Year 2	Year 3	Year 4	Cumulative increase
Average residential rate under assumed rate peg of 2.5% pa	\$1,000	\$1,025	\$1,051	\$1,077	\$1,104	10.4%
Annual increase (%)		2.5	2.5	2.5	2.5	
Average residential rate with an SV of 7.5% pa	\$1,000	\$1,075	\$1,156	\$1,242	\$1,335	33.5%
Annual increase (%)		7.5	7.5	7.5	7.5	
Cumulative impact of SV above Base year levels		\$75	\$156	\$242	\$335	

In Table 2 above, under the rate pegging scenario, if the current average residential rate was \$1,000, it would rise by 2.5% per year to be \$1,104 by Year 4.

- ▼ If the council desired an SV of 5.0% a year above the assumed rate peg for 4 years, it would apply to us for an SV of 7.5% in each of the 4 years ie, **the SV percentage is to include the assumed rate peg increase.**
- ▼ In the SV case, average residential rates would rise to \$1,335 by Year 4. The council is required to explain to its community that it is applying for a cumulative rise of 33.5% over the four years, or a cumulative rise of \$335 in the average residential rate over this period.

Similarly, the council also needs to communicate that, under the rate peg regime, the average residential rate will rise by 10.4% or \$104 over this 4-year period. The *extra* income the council is applying for above the rate peg is equal to \$231 per year by Year 4 (ie, the difference between \$1,335 and \$1,104).

Expiring SVs

When a council is renewing a SV that is due to expire, the explanation of the variation amount can be quite complex.

There are up to three amounts to consider:

- ▼ the percentage value of the expiring SV
- ▼ the percentage value of the rate peg, and
- ▼ the percentage value of any additional variation amount above the rate peg for which the council is applying through an SV.

Councils should inform their communities:

- ▼ That an existing SV is about to expire or will do so during the period covered by the application for an SV.
- ▼ Due to the impact of the expiring SV, the percentage of the SV being applied for will be higher than the year-on-year percentage change in rates.
- ▼ Whether the temporary expiring SV is being replaced with another temporary, or a permanent, increase to the rate base. If this is so, the council should also state that the proposed SV includes the value of the expiring SV and the additional rate increase being sought by the council.
- ▼ That the year-on-year impact on rates would not be as great or that rates may fall if the SV is not approved and only the rate peg is applied when the existing SV expires.

How to demonstrate the impact of an expiring SV

The council should also clearly show the impact of any expiring SVs and the cumulative rate increase over the period of the SV.

Table 3 demonstrates how a council may communicate the combined impact of an expiring SV with a proposed SV.

- ▼ In this example, an existing SV, equivalent to 4% of rates in the base year is to expire on 30 June 2018. The expiring SV reduces average rates from \$1,000 to \$960 at the end of the base year. This forms the base to which future increases due to the rate peg and/or proposed SV are applied.
- ▼ The council has proposed an SV to increase rates by 7.5% in each of the next 4 years.

Table 3 Impact of an expiring SV (ESV)

	Base year	Year 1	Year 2	Year 3	Year 4	Cum. increase
Residential rates under assumed 2.5% rate peg with a 4% ESV	\$1,000	\$984	\$1,009	\$1,034	\$1,060	10.4%
Annual increase (%)		-1.6	2.5	2.5	2.5	
Average residential rate with a 4% ESV and a 7.5% pa SV commencing in 2017-18	\$1,000	\$1,032	\$1,109	\$1,193	\$1,282	33.5%
Annual increase (%)		3.2	7.5	7.5	7.5	
Cumulative impact of SV above Base year levels after expiry (excluding rate peg)		\$72	\$149	\$223	\$322	

First, the council needs to communicate the movement of rates **under the rate peg scenario**. In this example, rates would in total decrease by 1.6% from \$1,000 in the base year to \$984 in Year 1. This reflects both the expiry of the 4% existing SV, causing rates to decrease to \$960 and the assumed 2.5% rate peg causing rates to increase from \$960 to \$984. From Year 2, rates increase by assumed 2.5% per annum.

Second, under **the SV scenario**, the council will need to communicate that the increase in rates in the base year is 3.2%. This is lower than the 7.5% for the proposed SV, due to the effect of the ESV. The cumulative increase over the period to Year 4 is 33.5% (\$322), and not 28.2%, as the proposed SV increase is applied to the post-ESV level of rates of \$960 in the base year.

How should the outcomes of community engagement be reported?

The council should report on:

- ▼ key stakeholders in the consultation process
- ▼ the information presented to the community regarding the SV, and
- ▼ methods of consultation used by the council and why these were selected.

The council must also provide a summary of the outcomes from community engagement, for example:

- ▼ the number of attendees at workshops or meetings
- ▼ the percentage of respondents supporting, in various degrees, the proposal(s)
- ▼ the overall sentiment of representations
- ▼ the results of surveys, if undertaken, and
- ▼ any action proposed by the council to address issues of common concern.