

## FACT SHEET FOR COUNCILS

# Community awareness and engagement for special variation applications

October 2014

### Purpose

This fact sheet provides guidance to councils on the community awareness and engagement criterion in the *Guidelines for the preparation of an application for a special variation to general income for 2015/16* (the Guidelines) issued by the Office of Local Government (OLG) in October 2014. Criterion 2 states that councils must provide:

Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation 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 an opportunity for community awareness and input to occur.

### How will we assess the community awareness and engagement criterion?

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

- ▼ That the council clearly communicated the full impact of the proposed rate increases to ratepayers.
- ▼ That the council clearly communicated what the special variation will fund. The uses of the funds may vary across various items of operating expenditure, improve operating balances (and financial sustainability) and fund capital spending that improves the rate of renewals or reduces asset backlogs. The funds might also be used to make loan repayments or to build up asset reserves.

Specifically, we will consider whether:

- ▼ the council's application demonstrates that the community is aware of the need for, and extent of, the rate rise
- ▼ the council has demonstrated an appropriate variety of engagement methods to ensure community awareness and input into the special variation process.

Evidence of awareness and engagement should be proportionate to the size and impact of the proposed rate rise.

## What do councils need to do?

Councils should follow the IP&R guidance material (eg, the *Integrated Planning and Reporting Manual*) in developing a Community Engagement Strategy to consult with the community on its 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 requires the council to adopt the relevant IP&R documents before the application for a special variation is submitted to IPART.

## What is the scope and type of information that should be presented to ratepayers?

Effective community awareness and engagement means that the broad community, and not just a small section of it, is well informed about the special variation application. The engagement process will enable members of the public to have adequate opportunities to consider an issue and provide feedback to the council in a timely manner.

## Scope of engagement and how should community input be captured?

Criterion 2 requires that the council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur. 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
- ▼ 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.

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. IPART is aware that the costs involved in undertaking a comprehensive community consultation program, and in particular surveys, can be significant. Generally, the nature and extent of the consultation program undertaken should be commensurate with the size of the special variation being sought, and the resources of the council.

Where a council is seeking a large rate increase and decides to undertake a survey, it is important that 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 special variation and what it is to fund, and should not use leading questions.

In all cases, the council should seek feedback from its community and report the feedback it receives to us in its application for a special variation. Some relevant feedback may have occurred in response to the council's IP&R processes and consultation used for the proposed special variation. The council should show how it has considered and responded to issues of common concern to the community.

#### How information should be presented to the community

The council must present information in a way that community members can understand, explaining why the special variation 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**. Information must show:

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

Table 1 illustrates how the level of residential rates would rise each year under a rate-peg only regime and under a special variation.

**Table 1 Impact on residential rates of a special variation of 10.5% pa for 4 years**

	2014/15	2015/16	2016/17	2017/18	2018/19	Cumulative increase
Average residential rate under an assumed rate peg of 3% per annum	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	12.6%
Average residential rate with an SV of 10.5% pa	\$1,000	\$1,105	\$1,221	\$1,349	\$1,491	49.1%
Cumulative impact of SV above 2014/15 levels		\$105	\$221	\$349	\$491	\$491

If the current average residential rate was \$1,000, it would rise by an assumed rate peg of 3% a year to be \$1,126 by 2018/19. If the council desired a special variation of 7.5% a year above the rate peg for four years, it would apply to us for a special variation of 10.5% in each of four years.

In the special variation case, the average residential rate would rise to \$1,491 by 2018/19. IPART expects that the council would explain to its community that it is applying for a cumulative rise of 49.1% over the four years, or a cumulative rise of \$491 in the average rate over the four years.

The council may also choose to explain to its community that, under the rate peg regime, the average rate will rise by 12.6% or \$126 and that the *extra* income the council is applying for above the rate peg is \$365 (ie, the difference between \$1,491 and \$1,126) on the average residential rate.

### Expiring Special Variations

When a council is renewing a special variation 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 variation
- ▼ 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 for through a special variation.

Councils should inform their communities:

- ▼ That an existing special variation is about to expire or will do so during the period covered by the application for a special variation.
- ▼ Whether the temporary expiring special variation 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 special variation includes the value of the expiring special variation 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 special variation is not approved and only the rate peg is applied after the existing special variation expires.

Councils should note that the percentage of the special variation being requested will be higher than the year-on-year percentage change in rates.

Councils should also explain the effect on rates and services if the proposed special variation is not approved so that rates only increased in step with the rate peg. For example, if reductions in particular services are likely, or if certain projects will not go ahead without approval of the special variation, this should be made clear to ratepayers. Councils will need to present a realistic scenario to the community. Councils should not present a worst-case scenario or threaten ratepayers with unrealistic cuts in the most popular community services.

Best practice engagement would present the community with more than an 'all or nothing' choice. Preferably, consultation material will 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.

#### [Demonstrating the impact of an expiring special variation on rates](#)

The council should also clearly show the impact of any expiring variations and the cumulative rate increase over the period of the special variation.

As an example, consider Table 2, which assumes steady rate peg increases of 3% per annum and a special variation of 10.5% in 2015/16 (an above-rate-peg increase of 7.5%) per annum for four years, as in Table 1. For this example, we assume that the council also has an existing special variation that will expire on 30 June 2015 and is equivalent to 4% of 2014/15 residential rates. This reduces the rates base from \$1,000 to \$960 at the end of 2014/15. The special variation increase of 10.5% is then applied to this rates base.

**Table 2 Impact on residential rates of an expiring special variation (ESV)**

	2014/15	2015/16	2016/17	2017/18	2018/19	Cumulative increase
Residential rates under 3% rate peg with a 4% ESV	\$1,000	\$989	\$1,018	\$1,049	\$1,080	
Average residential rate with 10.5% pa SV including 4% ESV	\$1,000	\$1,061	\$1,172	\$1,295	\$1,431	
Cumulative impact of SV above 2014/15 levels after expiry (\$960)		\$101	\$212	\$335	\$471	<b>\$471</b>

Table 2 shows how the average residential rate would fall by 1.1% from \$1,000 in 2014/15 to \$989 in 2015/16 under the 3% rate peg and with the expiry of the existing 4% special variation at the end of 2014/15. From 2016/17, residential rates would increase by 3% per annum.

Table 2 also illustrates the impact of combining the expiry of the existing 4% special variation at the end of 2014/15 with the special variation of 10.5% per annum for four years, commencing in 2015/16. This results in a cumulative increase in the average residential rate of \$471 by 2018/19, above the post-expiry 2014/15 rates level (\$960). This represents a cumulative increase of 49.1% over the four years.

For a special application of 10.5% per annum for four years, the council must communicate to the community the annual and cumulative dollar increases in rates across the various rating categories. The council will also need to explain to ratepayers that the increase in 2015/16 is lower than 10.5% due to the expiring special variation.

### **How should the outcomes of community engagement be reported?**

The council should report on:

- ▼ key stakeholders in the consultation process
- ▼ the information that was presented to the community regarding the special variation proposal
- ▼ 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
- ▼ any action proposed by the council to address issues of common concern.