

# Fact Sheet – Community awareness and engagement for special variations for 2016-17

22 January 2016



## WHAT

This fact sheet provides guidance to councils on the assessment criterion for community awareness and engagement as set out in the *Guidelines for the preparation of an application for a special variation to general income for 2016-17* (the Guidelines) issued by the Office of Local Government (OLG).

Under these Guidelines, released on 15 January 2016, **councils that are subject to a merger proposal will not be eligible for a special variation or minimum rate increase for the 2016-17 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 special variation, its cumulative impact on ratepayers and the uses to which the funds will be put.

Additional funds may be used for operating expenses or to improve financial sustainability and fund asset renewals, upgrades or reduce backlogs. The funds might also be used to make loan repayments or to build up asset reserves.



## HOW

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

In order to focus its community on the special variation 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 special variation 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 special variation.



## WHAT NEXT

The key dates for the application process are:

- ▼ **15 February 2016** – councils submit their special variation applications via IPART's [Council Portal](#)
- ▼ **14 March 2016** - councils submit their Minimum Rate applications via IPART's [Council Portal](#)
- ▼ **17 May 2016** – IPART publishes its determinations on all applications for special variations and minimum rate increases for 2016-17.

# Community awareness and engagement for special variations for 2016-17



## 1. 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 2016-2017* (the Guidelines) issued by the Office of Local Government (OLG). 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, released on 15 January 2016, **councils that are subject to a merger proposal will not be eligible for a special variation or minimum rate increase for the 2016-17 rating year.**

## 2. What councils need to do

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 should enable members of the public to have adequate opportunities to consider the proposed special variation 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 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 publicly exhibit and adopt the relevant IP&R documents before submitting its application for a special variation 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 special variation will fund.

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.

**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, 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.

Councils should seek feedback from their communities on the proposed special variation. The council's application 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 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.

The council's application is also required to establish 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 special variation is affordable to the community.

### **Surveys**

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.

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 special variation 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 special variation 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 in the most popular community services.

For example, it should be made clear to ratepayers if particular services are to be maintained at levels insufficient to meet community expectations, or if certain projects will not go ahead without approval of the special variation.

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

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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**. The information must show:

- ▼ the requested percentage increase(s) *including* the rate peg (illustrated by the following tables)
- ▼ the cumulative percentage impact on rates (if the special variation is for two or more years)
- ▼ whether the increases are temporary or permanent
- ▼ how an expiring special variation 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 special variation is not approved so that rates are only increased with the rate peg.

### **How to demonstrate the impact of a proposed s508(2) special variation**

Table 1 illustrates how councils may communicate the proposed impact of a permanent, single year increase, ie 508(2) special variation. In this example, average residential rates are proposed to increase by 7.5% in 2016-17 and by the rate peg thereafter.

If the average residential rate was \$1000 in 2015-16, it would rise by \$75 in the first year, or \$50 more than would apply under the rate-peg-only case.

**Table 1 Impact on residential rates of a 508(2) special variation of 7.5% in 2016-17**

	2015-16	2016-17	2017-18	2018-19	2019-20	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 2015-16 levels		\$75	\$102	\$129	\$158	

### How to demonstrate the impact of a proposed s508A special variation

In contrast, Table 2 below demonstrates the proposed effect of a permanent, multi-year increase, ie s508A special variation. 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 special variation of 7.5% pa for 4 years**

	2015-16	2016-17	2017-18	2018-19	2019-20	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%
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 2015-16 levels		\$75	\$156	\$242	\$335	\$335

In the table 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 2019-20. If the council desired a special variation of 5.0% a year above the rate peg for 4 years, it would apply to us for a special variation of 7.5% in each of the 4 years ie, **the special variation percentage is to include the assumed rate peg increase.**

In the special variation case, average residential rates would rise to \$1,335 by 2019-20. 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 2019-20 (ie, the difference between \$1,335 and \$1,104).

### 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.

Due to the impact of the expiring special variation, the percentage of the special variation being applied for will be higher than the year-on-year percentage change in rates.

### How to demonstrate the impact of an expiring special variation

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

Table 3 demonstrates how a council may communicate the combined impact of an expiring special variation with a proposed special variation. In this example, an existing special variation, equivalent to 4% of rates in 2015-16 is to expire on 30 June 2016. This will be followed by a proposed special variation to increase rates by 7.5% in each of the next 4 years.

**Table 3 Impact of an expiring special variation (ESV)**

	2015-16	2016-17	2017-18	2018-19	2019-20	Cum. increase
Residential rates under 2.5% rate peg with a 4% ESV	\$1,000	\$984	\$1,009	\$1,034	\$1,060	
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 2016-17	\$1,000	\$1,032	\$1,109	\$1,193	\$1,282	
Annual increase (%)		3.2	7.5	7.5	7.5	
Cumulative impact of SV above 2015-16 levels after expiry (\$960)		\$72	\$149	\$223	\$322	<b>33.5%</b>

In this example, the expiring special variation reduces average rates from \$1,000 to \$960 at the end of 2015-16. This forms the base to which future increases due to the rate peg and/or proposed special variation are applied.

Firstly, 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 2015-16 to \$984 in 2016-17. This reflects both the expiry of the 4% existing special

variation, causing rates to decrease to \$960 and the 2.5% rate peg causing rates to increase from \$960 to \$984. From 2017-18, rates increase by 2.5% per annum.

Secondly, under **the special variation scenario**, the council will need to communicate that the increase in rates in 2016-17 is 3.2%. This is lower than the 7.5% for the proposed special variation, due to the effect of the ESV. Similarly, the cumulative increase over the period to 2019-20 is 33.5% (\$322), and not 28.2%, as the proposed special variation increase is applied to the post-ESV level of rates of \$960 in 2015-16.

### **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 special variation, 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.