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**Rate Setting  
Improvement Opportunities  
for 2003/04**

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**May 2003**

*Updated 15 May 2003 to incorporate feedback from training sessions*



## Contents

The Purpose of this Guide.....	5
The Rates Impact Model.....	6
Preparing to Use the Rates Impact Model .....	6
Using the Rates Impact Model .....	7
Immediate Options Available for Rate Relief .....	8
Policy and Delegation.....	8
Varying the components within existing rating structures .....	10
Differential rates .....	10
Minimum rate and “two-tiered” rating .....	10
Fixed charge .....	10
Separate Rates, Service Rates and Service Charges.....	11
Other Options for Consideration .....	12
Capping increases in rates liability .....	12
Arriving at a maximum percentage increase .....	12
What properties will be eligible? .....	13
Flexible Payment Arrangements.....	14
Remissions.....	15
Postponement .....	16
Rate-Setting Documentation.....	17
Timetable .....	18
Communication .....	19
Annual Rate Setting – The Strategic Context .....	19
A Broader Council Communications Strategy.....	19
A Communications Strategy for 2003/04 .....	19
Implementing the Communication Strategy .....	20
Communication Resources for 2003/04.....	21
Example 1: Council Newsletter - The Context Statement.....	22
Example 2: Media Release for Rate Setting.....	25
Example 3: Media Release – Budget is announced.....	26
Example 4: Summary Rating Policy.....	27
Example 5: Rating Policy Media Release .....	29
Members of Steering Committee.....	30



## The Purpose of this Guide

This guide has been developed to help Council staff prepare for Council rate-setting decisions for 2003/04 and the communication of these decisions. The Guide will be reissued within a larger resource for elected members and Council staff entitled “Addressing the Impact – Flexible Approaches to Rate-Setting”.

For 2002/03 many parts of South Australia saw significant increases in property valuations, producing steep and uneven increases in rates liability for identifiable groups of properties. Many Councils reduced their rates in the dollar in response to the overall valuation increase but not all were prepared for the redistribution of the rates burden that occurred within pockets of some communities. In all, there was a high level of dissatisfaction voiced about rate setting for the year. The debate in the media indicated confusion and misunderstanding about the rationale for Councils to impose rates, insufficient or inaccessible information about the availability of relief for those in hardship, and, in some cases, inadequate consideration by Councils of the impact of the rate setting decisions.

Advice from the Valuer-General is that significant increases in property values will continue for the 2003/04 rating year. The increases will vary in line with the property market. Changes will not be uniform across the State and some property owners who experienced large increases in valuations last year may experience further large increases this year.

This is likely to raise two specific issues for communities:

- Some ratepayers could experience a second year with a large increase in the amount of rates to pay and may warrant consideration of some relief from such an increase;
- Pensioners, self-funded retirees and others suffering financial hardship (eg unemployed people) may also warrant consideration of relief regardless of the magnitude of the increase, if any, in rates payable.

In these circumstances it is important that:

- When rate setting decisions are being made, the following information is presented to elected bodies:
  - information about valuation increases generally in the area for 2003/04 as compared with 2002/03 and any extremes in those valuations increases; and
  - options for policies that will provide relief to ratepayers affected by sudden and significant increases or to those ratepayers experiencing hardship regardless of the magnitude of the increase, if any, in rates payable.
- Any relief available is effectively communicated to affected ratepayers.
- The community generally receives as complete an account as possible of the reasons for imposition of rates, and the strategic objectives and priorities to be achieved by Council’s expenditure.

In the remainder of this Guide:

- a Model is described for identifying the impact of changes in comparative valuations;
- details of immediate policy opportunities for relief options for extreme rate increases and financial hardship are described for consideration; and
- communication strategies are proposed for effectively informing the community on rate setting decisions, and their context.

## The Rates Impact Model

### Preparing to Use the Rates Impact Model

As in each year, the aim in preparing for 2003/04 rate setting decisions is to develop a Rating Policy that contributes to implementing the Council's Strategic Plan(s) and its revenue targets required to achieve the long-term strategies and goals. The resultant Rating Policy should make specific reference to rate relief measures for extreme movements in property values, should they occur.

To help Councils to achieve this aim in the current environment of rapid and sometimes extreme movement in property values, a Model has been developed in conjunction with this Guide. The Model will enable Council staff and the elected body to become aware of the impact of changing valuations on rates liability for individual ratepayers. This provides a pertinent source of information for the Council's rate-setting decisions.

The Valuer-General's Office provides Councils with a series of reports on:

- the movement in the total valuations in the Council area;
- the distribution of valuation increases; and
- whether the valuation increase results from new development, market movement or some other factor.

This year and for future years the reports provide detailed information by suburb and land use code. These reports should be carefully studied to gain an understanding of the spread of valuation changes across the Council area and the types of properties being affected. In addition Council staff will have information from rating records relating to previous financial years, such as the number of ratepayers who:

- had significant increases in rates;
- have a pensioner concession;
- had difficulty in paying rates; and
- applied for hardship relief.

Staff should also be aware of:

- demographic changes;
- employment trends;
- increase or reduction in numbers of pensioners;
- the socio-economic status of the community any significant changes; and
- an increase or reduction in applications for rate relief on hardship grounds.

Collectively this information provides a context for Council staff prior to modelling the actual impact of changes in property values.

It is expected that Council staff will undertake initial modelling for 2003/04 using existing rates software to determine the rate(s) in the dollar to achieve rate revenue targets. The *Rates Impact Model* provided with this Guide is an additional tool to model rating impacts on individual properties.

The purposes of modelling the impact of property valuation changes for the 2003/04 financial year are:

- to determine whether increases in property valuations are significant;
- to determine whether the increases are –
  - homogenous (where every property value increases in similar proportions); or
  - more pronounced in particular localities within the Council area or in a particular land use type.
- to refine the rate(s) in the dollar and other components needed to raise the required rate revenue.

The Model is designed to:

- allow the calculation of the impact of changes to property values from one year to the next;
- calculate variance on a property by property basis;
- demonstrate the impact of capping increases in individual rates at a specific percentage; and
- allow the investigation of other rating options to achieve revenue targets.

## Using the Rates Impact Model

The instructions for using the model are contained in the document *Instructions for using the Rates Impact Model* available for downloading together with the Microsoft Excel spreadsheet available on *LGAnet* (Circular 17.1).

The information gained from the modelling, the Valuer-General's reports, the Council's own property database and the Council's target for rate revenue should be considered as part of the rate setting process. This information should highlight the nature of movements in property valuations, particularly any extreme movements, and the resultant impact on rates. In particular, the information will assist in determining whether one or more of the options discussed in the following sections should be considered to address uneven increases in rates liabilities for some particular property owners.

Further modelling may then be undertaken to assess the impact of the various options on Council's budget and the most effective and equitable methods for raising its rate revenue.

## Immediate Options Available for Rate Relief

### Policy and Delegation

As a sphere of government Councils have responsibilities to ensure their Rating Policies deal fairly with each ratepayer.

Where significant rates increases arise from sudden steep increases in property values, those groups who are particularly affected are people on fixed incomes and with little budgetary flexibility. Irrespective of rates increases, these groups may consistently experience difficulty in paying their Council rates from one year to the next.

Policy options for rate relief open to Councils under the *Local Government Act 1999* (the Act) include:

- varying components within existing rating structures, including differential rates, minimum rates and “two tier” rating, fixed charges, separate rates, service rates and service charges;
- capping increases in rates liability;
- flexible payments;
- remissions;
- postponement.

Depending on Council’s circumstances and those of the community it may be appropriate to combine these approaches eg giving partial remissions and postponement.

Whatever options are adopted, to enable optimum response to the needs of the community Council should establish a clear policy framework for rates relief and delegate the application of the policy to staff.

Dealing with hardship and rate relief is a sensitive issue. At the outset it is recognised that policies for rate relief from both unexpected steep rates increases or from regular rate increases on hardship grounds are most acceptable when based on clear criteria actively promoted to the community. Accordingly where possible Councils should endeavour to use assessments made by other levels of government, such as pensioner or seniors cards, as they are likely to be simpler to administer, less intrusive and more acceptable to the people likely to be the recipients.

Although the Act enables Councils to seek supporting evidence from ratepayers seeking relief in hardship circumstances, applying for assistance in itself can be a demoralising experience. Many ratepayers have a fear of disclosing personal information to the Council to obtain rate relief for hardship, worrying that their individual and identifying circumstances may be discussed on the floor of the Council Chamber. If personal or confidential information is required to assess eligibility for relief on the grounds of hardship, ratepayers must be assured that both their privacy and their dignity will be respected during the process.

Whatever the ratepayer’s circumstances, negotiation of an outcome for payment that is satisfactory to both Council and ratepayer is often possible. In the process of negotiation

ratepayers are entitled to respect and understanding, especially should they be experiencing financial hardship. Delegating to the Chief Executive Officer (who may sub-delegate) implementation of a clear policy framework for rate relief and hardship will help to ensure this occurs.

The Council's Rating Policy should incorporate reference to all the elements of the policy approach, including that for rate relief and delegation of decisions on individual applications.

Additional information and resources on rating in the form of guidelines, discussion papers and model policies are available on *LGA.net*. These are to be found under "General Information" --> "Codes and Guidelines".

## Varying the components within existing rating structures

Components that make up the rates structure include differential rates, minimum or “two tier” rates, fixed charges, and separate rates, service rates and service charges. **It will not be possible for a Council to change the rates structure itself for 2003/04 since these changes require time for public consultation.** However it is possible to review how the different components of the existing rates structure may be varied to alter the impact of valuation changes.

### Differential rates

If the spread of the valuation movements across the Council district have an extreme impact on particular land use types (eg residential) or particular locations (eg townships) it may be possible to address this through an adjustment of the differential rate(s) where applicable. It is important that Councils keep differential rates under review so that the initial policy objective of setting differential rates is maintained or modified in light of changing circumstances and in particular changing valuations.

The relativity between rate income from residential, primary production, township rural and other land uses should be regularly reviewed. For example, large increases in overall residential property values may have the consequence of reducing the rates burden on commercial and industrial properties unintentionally at the expense of residential ratepayers. Altering the relative rates in the dollar may go some of the way to mitigating excessive increases in rates liability.

### Minimum rate and “two-tiered” rating

Varying the minimum amount payable and/or adjusting the amount payable for properties that fall within a range of valuations determined by the Council (often referred as “two tiered” rating) can also have a significant effect on the overall distribution of the rates burden. Either could be accompanied by a change in the applicable rate in the dollar. It is important to remember that only 35% of properties can have the rates affected by either the minimum rate alone and/or the “two tiered” rates in combination.

“Two tiered” rating, the application of a lower rate in the dollar for that portion of the property value above a certain valuation amount, may provide some relief for ratepayers in circumstances of large increases in property value. However, it will have no effect for ratepayers who have had a large increase in property value, but still fall below the threshold for a tiered rate.

### Fixed charge

If the Council uses a fixed charge as a component of the general rate, the possibility may exist of increasing the fixed charge in conjunction with a reduction in the rate in the dollar. By increasing the fixed charge amount Council can maintain relative income by reducing the rate(s) in the dollar. The resultant reduction in rates paid by all higher value properties may mitigate the impact of significant valuation increases.

### **Separate Rates, Service Rates and Service Charges**

Reviewing and adjusting existing separate rates, service rates and service charges may provide additional flexibility to reduce the general rate in the dollar and still maintain aggregate revenue. It is important to remember though, that funds raised through separate and service rates/charges must be expended on the declared activity or service.

## Other Options for Consideration

### **Capping increases in rates liability**

Capping increases in rates liability is a relatively new policy option enabled by section 166(1)(l) of the Act, directed at relieving otherwise very large increases resulting from movements in valuations.

Councils may consider capping increases in rates based on property value (general, service and separate rates) above limits set by the Council. Section 166(1)(l) permits a Council to adopt a discretionary rebate of rates to provide relief against what would otherwise amount to a substantial change in rates payable by a ratepayer. This may occur due to rapid changes in valuations or anomalies in valuations (or changes to the basis or structure of the Council's rates, subject to meeting consultation provisions).

Property rate capping, in the form of a discretionary rebate, may be applied across the board or limited to groups or individuals and may be automatic or by application. Capping will require a clear policy to be developed by the Council and may apply for a single financial year and/or reviewed annually.

If modelling indicates that valuation increases are consistent across the area attention can be focussed on the rate(s) in the dollar to be applied and other appropriate relief measures. On the other hand, if the valuation increases are extreme and variable across the district (e.g. where coastal properties are increasing in value more steeply and quickly than others) capped increases may be a useful policy approach.

When considering capping increases in general rates liability, it should be noted that section 159(9) requires a comparable rebate be given for separate rates and service rates (but not service charges). The resultant impacts should also be modelled and, if necessary, the relevant rate(s) reviewed.

The rest of this section deals with the method to develop a rates increase cap.

#### ***Arriving at a maximum percentage increase***

Careful consideration of the comprehensive modelling information is required to determine the maximum percentage increase in rates for eligible ratepayers. The percentage will need to be set higher than the overall rate revenue increase required to meet Council's revenue targets.

In the absence of a long term financial plan, future revenue implications should be carefully considered in setting the percentage increase for the application of the cap for the coming year.

Once a maximum percentage is determined it is important that this be modelled to ensure that:

- the cap is set sufficiently high for a redistribution of the rates burden that is not unfair to other ratepayers and sufficiently low for genuine relief to ratepayers experiencing extreme increases in property values;
- Council can budget to raise sufficient revenue to fund the rebate; and
- short term rate revenue targets are unaffected.

*What properties will be eligible?*

Council may offer a discretionary rebate across the board to all properties that would otherwise experience a percentage increase in rates above the maximum set by Council. Alternatively the rebate may be limited to particular properties. The Council will need to determine whether the rebate will be provided by application from the ratepayer or automatically by the Council on its own initiative (section 159 (3)).

A policy targeting properties that have experienced extreme increases in valuations may be further limited by:

- excluding properties that have increases as a result of:
  - new building work and development activity;
  - changes in land use;
  - changes in zoning; and
  - other factors considered relevant by Council;
- excluding properties that have recently changed ownership, since the owner has purchased the property at the current market value; and/or
- confining eligibility to principal places of residence, excluding second and subsequent properties and business premises. (Note that special treatment for businesses should be mentioned in the Business Impact Statement.)

## Flexible Payment Arrangements

Flexible payment arrangements can help to ensure that the Council receives the total rate revenue within a particular financial year. The experience of Councils using them, and that of other South Australian property-based taxing authorities, is that taxpayers generally meet agreed payment arrangements.

Although Councils are required to offer ratepayers the opportunity to pay rates on a quarterly basis, other time periods may also be offered, constituting flexible payment arrangements under section 181. Where ratepayers choose to accept such an offer, this constitutes an agreement (this process is detailed within the guidelines to the *Quarterly Payment of Rates*, May 2001 available on *LGAnet*).

Recent innovations in arrangements for regular payments through such agencies as Australia Post (*Billmanager*) and Centrelink (*CentrePay*) may provide flexible arrangements to the Council's advantage. For example, Centrelink offer pensioners a fortnightly electronic transfer from social security benefits to meet regular outgoings, which may be usefully suggested by Councils.

Councils thus have a number of options available for flexible payment of rates under section 181 of the Act. These may be negotiated on an ad-hoc basis with individual ratepayers or offered in a more structured way. An example of an ad-hoc payment arrangement is to negotiate an alternative payment plan with a ratepayer if they are experiencing difficulty in meeting due dates. Examples of structured payment arrangements include options for ratepayers of

- monthly instalments; and
- a single payment in December (this option is currently provided by two rural Councils and suits both primary producers and the Councils' cash flow.)

Flexible payment arrangements may include the remission of fines or interest provided under section 181(8).

It is important that such arrangements are:

- soundly based in a policy framework;
- factored into the Council's cash flow arrangements;
- included in the Council's rating policy and
- well publicised to ratepayers.

Questions to be considered in determining the flexible payment policy framework are:

- Who should be eligible for flexible payment arrangements – for example: pensioners, self funded retirees, unemployed, new businesses, primary producers? What eligibility criteria and evidence will be required?
- How often should payments be expected – fortnightly, monthly, or some other arrangement? Can these payments be tailored to suit the cash flow of the applicant?
- What are the cash flow implications for the Council?
- Should the Council utilise other agencies such as Australia Post, CentrePay in the revenue collection process?
- What is an appropriate manner to handle defaulters?
- Should administrative costs be charged or does that defeat the purpose?

## Remissions

Remissions may be used in a number of ways to provide additional flexibility in Council's Rating Policy.

They are authorised by section 182 of the Act which enables Councils to write off rates in certain circumstances. Remissions may be used in two ways, to relieve hardship on application or to provide additional relief for people receiving concessions under the *Rates and Land Tax Remissions Act 1986* (all persons currently receiving a State concession on Council rates). Hardship should be assessed on a case by case basis and is not necessarily contingent on the level of increase in rates payable.

Rates may be remitted in whole or in part. Options for providing partial remissions include:

- remitting a fixed percentage or dollar amount;
- remitting any portion greater than the minimum rate;
- remitting the difference between the minimum rate and the amount otherwise payable;
- remitting all but the fixed charge;
- remitting the increase above CPI each year; or
- making a specific arrangement each year with individual ratepayers in exceptional circumstances.

It should be noted that section 182(7) requires a comparable remission be given for separate rates, service rates and service charges. The resultant impacts must also be modelled.

The questions for consideration by Councils to develop a policy framework that includes rates remissions are:

- Who will be eligible - aged pensioners, self-funded retirees, people on disability pensions, unemployed or other financial hardship?
- How will eligibility be determined? (Note: The process needs to be handled sensitively in respect of the difficult circumstances being experienced by the ratepayers. In cases where it is clear that a ratepayer's eligibility is likely to continue, Councils may wish to consider remission for a period of time subject to annual confirmation of their circumstances.)
- How can the system be set up for ratepayers to retain their dignity and be treated with respect in the process? How can each ratepayer's privacy be maintained? (Note: There should be no reporting of any individual's circumstances to the elected body. The elected body should set clear policies for the operation of the system but generally have no role in approving individual cases.)
- What are the long term effects of such arrangements and will there be increases in the number of people that qualify for remissions over time? (Note: Understanding the demographics of your community will help Council address this question.)
- Should fines and interest also be remitted for people who establish financial hardship after due dates for payment?
- Will remissions be in whole or in part?
- Would it be helpful for remissions to be provided in conjunction with postponements and flexible payment arrangements?

## Postponement

Postponement of rates payment, authorised by section 182 of the Act, provides a useful approach to relief for some ratepayers. Postponement enables ratepayers to defer payment of rates until such time as the property is sold or their circumstances change. It may be offered for the whole or part of the rates payable and with or without recovery of interest. Postponement may be offered under the following circumstances:

- to alleviate the effects of extreme changes in valuations;
- where the payment of rates would cause hardship;
- to assist or support a business.

Two factors need particular care in considering the postponement option:

- the inclusion of the ratepayer's family in the consideration of taking up the option; and
- the implications for the Council of potentially long term postponements

The impact of long-term postponements may become a cash flow issue for Councils. The management of the cash flow will depend on the magnitude of the rates postponed. For example one approach to managing the impact is to borrow against the aggregate debt and charge interest to the properties (see section 182 (2)(a)).

Questions for Council to consider in relation to eligibility and privacy of ratepayers are the same as those listed for Remissions above. Other questions for Council to consider prior to making a decision on whether postponement will be offered are:

- What will be the impact on the Council's cash flow from postponed rates? (Note: There has been a very low take-up in Councils that have introduced this system, but it may not have been extensively promoted in the community as a possible option.)
- Can the Council sustain the reduced cash flow or the interest costs associated with borrowing to restore the cash flow, or would borrowing and charging of interest to the ratepayer be appropriate? (Note: This question needs to be answered from a relatively long-term perspective.)
- Is there a private sector (banking) product available that may produce the desired result?
- What are the effects of potential long-term postponements eg young disabled ratepayers on a pension or young unemployed? (Note: The long-term effects have the potential to result in a deferred amount to become greater than the value of the property.)
- Would partial postponement provide a helpful alternative? In this situation the ratepayer pays a set amount that can be varied each year, if necessary, and only the balance is postponed.
- Would combining partial remission, partial postponement and flexible payment arrangements provide a more equitable policy framework?

Similar options to those set out above under Remissions could also be considered.

## Rate-Setting Documentation

Having all information relevant to the rates setting decisions of Council documented and available will enable elected members and staff to explain the reasons for the rate setting decisions and to demonstrate that the rationale and impact of the decisions has been carefully considered.

Council documentation developing its approach to rate setting for the 2003/04 financial year should:

- identify the relevant elements of the Council's strategic plan which relate to revenue raising to fund strategic goals and ensure that those elements are addressed in the Rating Policy;
- identify, within the strategic framework, the rate revenue targets for 2003/04;
- identify the rates structure proposed to ensure that the rates burden is spread fairly across all sectors of the community;
- factor in the impact of increases in valuations, from information received from the Valuer-General;
- identify whether there are classes of properties experiencing extreme increases that are inconsistent with valuation movements in the area as a whole, from information obtained from the *Rates Impact Model*;
- identify rate relief measures that will be used for the 2003/04 financial year; and
- set out how the approach to rate setting and the availability of any rate relief options will be communicated simply, factually and effectively to ratepayers.

## Timetable

The timetable for achieving 'good practice' rating for the 2003/04 financial year will be driven by the nominated date that Council plans to adopt its budget and declare its rates. That target date will determine the timeframe for Council to achieve the following:

- receive the 2003 valuations and load data into the rates system;
- provide data for use in *Rates Impact Model*;
- explore options for rate relief, based on modelling;
- prepare rate-setting documentation for Council as outlined in the previous section;
- develop a communication strategy to provide early information to the media and community about factors affecting budget and rates decisions for the year and to explain changes to taxation revenue and options for rate relief for ratepayers (see the next section);
- obtain Council approval in principle for the Rating Policy outlined in the documentation including delegation for implementation of rate relief options;
- obtain legal verification of the structure of the proposed budget and rating decisions;
- adopt the budget, adopt the valuations for the year, and declare the rates;
- communicate the rating decisions and relief strategies to media and ratepayers.

## **Communication**

### **Annual Rate Setting – The Strategic Context**

#### **A Broader Council Communications Strategy**

With growing community demand for capital infrastructure (and associated maintenance) and services expenses, Councils are often faced with raising rates at a higher level than the CPI. Frequently, the first time ratepayers are aware of the rates rise is at the time that they receive the rates notice.

A comprehensive, considered, Council communications strategy ensures relevant media are regularly reminded, as opportunities arise through the year, of Council's objectives for the area, of progress towards achieving them, and of the community's opportunities for input into them. The overall aim of such a strategy is regularly to provide clear, timely and practical information, to build over time improved understanding between Council, media and community. Desirably the rates notice is one communication in a broader strategy of informing residents and ratepayers about Council's activities and objectives.

#### **A Communications Strategy for 2003/04**

Budget and rate setting decisions are of particular public and media interest and it is helpful if they are seen in the context of what the community receives in services and amenity as a result of paying rates.

With or without a more extensive communications strategy, in the period leading up to Council's adoption of the budget and declaration of the rates, ratepayers and local media may usefully be kept informed of factors that can be expected to affect these decisions.

Elements of a Council's communications strategy for budget and rating decisions for 2003/04 may therefore include:

- in advance of Council discussions of the budget and rates, a newsletter to residents and ratepayers including the following:
  - the factors relevant to the oncoming budget and rates decision - indicators of cost increases, expected changes in valuations, progress towards achieving the objectives set out in the strategic plan, and any changes in Council policy being considered regarding revenue targets and the distribution of rates
  - options the Council will consider and why
  - recent Council events, relating them to the strategic objectives for the area;
  - reminders of community opportunities for input to the Council's strategic management plan;
- derived from the newsletter above, and released at the same time, a media statement addressing the factors set out above. (This can be prepared in such a way as to make it easy for electronic and print media to use it - early paragraphs (say five) tell the radio and television news story, with further paragraphs (up to say 15 in all) giving more detail for local newspapers);
- at the time of adoption of the budget and declaration of the rates a media statement announcing the budget, the strategic aims of its expenditure, the key factors affecting the budget, the rates decisions, the reasons for them, and the rate relief measures available;

- at the time of sending out the rates notices, specific information for residents and ratepayers about the budget and their rates bills, with key factors the Council has considered in relation to the budget and rate revenue and Council policy about rate relief, distributed with the Rating Policy summary with the rates notices;
- derived from the information for residents and ratepayers and released at the same time, a media statement highlighting relevant features of the Council's rates decisions and giving reasons for them;
- nomination of a contact officer who is a Council officer with good communications skills, knowledge of the strategic plan, an understanding of the link between Council's objectives and the setting of rates, and an understanding of Council's rate relief policy.

Examples of these communication materials are set out below.

## Implementing the Communication Strategy

It is essential that Councils clearly and factually communicate:

- the Council's rate revenue for the new financial year;
- the increase in rate revenue expected (in both dollar and percentage terms) over the previous year;
- what the extra revenue will be used for;
- changes to property values and how this is distributed across the Council area;
- any specific options that will be adopted to provide rate relief for ratepayers;
- if rate relief is by application, the criteria for receiving the rate relief;
- for hardship applications, the information required by Council to address the criteria and make a decision;
- the impact of rate relief provisions on other ratepayers.

Councils should use all means at their disposal to communicate this information, viz:

- website;
- newsletters;
- local newspapers and radio;
- rate notices and supplementary material with rate notices; and
- information in Council offices and libraries.

It is important that communications with ratepayers should be in simple, clear and understandable language:

- use language from everyday conversation – words that the reader will know – e.g. 'use' instead of 'utilize', 'simple' rather than 'rudimentary';
- be a word miser – your language should be concise and economical – e.g. use 'now' rather than 'at this point in time', saving four words and making understanding easier;
- sentences should be clear and crisp, varied in length, but as brief as possible;

- avoid jargon – short-hand expressions that are not generally understood. If you must use it, explain it – e.g. ‘ad valorem’ – in proportion to the value;
- explain the meanings of acronyms – if you must use acronyms (and they are a useful tool) explain them on their first use – e.g. automatic teller machine (ATM);
- avoid clichés – they dull the mind and usually add little to understanding the topic.

Simple tables, graphs, pie charts and illustrations will assist understanding complex issues and trends.

## Communication Resources for 2003/04

The following communication examples have been developed as samples from which Councils may wish to develop their own statements:

- Example 1: Council Newsletter - The Context Statement;
- Example 2: Media Release for Rate Setting;
- Example 3: Media Release – Budget is Announced;
- Example 4: Summary Rating Policy;
- Example 5: Rating Policy Media Release.

The contents of the examples must be adjusted to reflect accurate information in figures and activities about the particular Council. Note that the Rating Policy Summary is a requirement under the *Local Government Act 1999* and it or the full Rating Policy Statement must be sent out with the rates notice to every ratepayer.

## **Example 1: Council Newsletter - The Context Statement**

### *Council of Utopia The 2003/04 Rate Setting Context*

#### **About the Newsletter**

Each year at this time, the Council begins the rate setting-process for the next financial year. This newsletter has been produced to explain this process to the community.

#### **Factors About the Rates and Budget**

The target budget set in the strategic plan for 2003/04 is likely to become the 2003/04 Budget, with some minor variations. These variations result from the cost of increases for materials. The predicted budget will mean that Council will be increasing rate revenue by 7%, as forecast by the long-term financial plan.

The Valuer-General has provided some preliminary information predicting average valuation increases of 3%-7% for most properties, but with increases of up to 25% in some coastal residential areas. Council will be considering the introduction of measures to limit the increase in rates payable to a specified percentage increase over last year. Criteria for the application of the limit will also be considered.

The Council will also consider a range of options to ratepayers who are experiencing, or who might experience difficulty in paying their rates. These options include:

- flexible payment arrangements – fortnightly, monthly or other arrangements agreed between the ratepayer and the Council; and
- for pensioners and self-funded retirees – a remission of any increase in rates payable greater than the CPI and/or the opportunity to defer a portion of their rates bill until the property is sold.

#### **The Council's Strategic Plan: "Utopia – A Clear Vision"**

A periodic review of Council's strategic plan was conducted in October/November 2002. The review comprised:

- conduct and analysis of a resident survey;
- conduct of a community forum in September;
- a half-day forum with the local business community;
- a strategic planning day for all elected members and senior staff in October; and
- an opportunity for written comments from residents and interested parties

In addition, other economic and community impacts were assessed. The outlook for the next five years is one of slow but steady growth in the economy and in the area. The population of the area is ageing, but there is also stability in the number of young persons. The community has expressed strong interest in environmental issues, particularly re-cycling, stormwater drainage and the re-use of water.

The review has confirmed five major objectives for the area:

- a strong local economy, providing jobs for residents.
- sustainable management of the local environment.
- the effective delivery of services to the community.
- advocate and facilitate the achievement of community goals with a focus on community participation.
- the efficient and effective maintenance and renewal of the physical infrastructure of the District.

#### **What This Means For The Next Three Years**

- new initiatives for the next three years are:
- the classification of all of the Council's roads to enable better planning for traffic flows, including getting the harvest to market, and better spending on road priorities;
- the provision of additional facilities and services for the increased numbers of older persons in the community;
- the development of wetlands to minimise flooding and to improve the quality of water for re-use and the use of traps to minimise debris entering the stormwater network, improving its efficiency;
- the replacement of ageing infrastructure assets – mainly roads and buildings – to maintain the area's capacity for transport and community services; and
- the sale of some surplus assets to generate funds for renewal of required assets.

#### **Planning between Priorities**

In reviewing the strategic plan, the following plans were also taken into account:

- the long term financial plan (10 year view);
- the asset management plan (20 year view);
- the Community plan (10 year view); and
- the Council resources plan (staff, computing, communications and plant and equipment – 10 year view).

The asset management plan clearly highlighted the renewal of a substantial portion of Council's assets will be required over the next 10-15 years. The long-term financial plan has been adjusted to reflect:

- increases in rates over the next 7 years of CPI plus 4% each year;
- a substantial borrowing programme to commence in three years time to provide funds for asset replacement; and
- additional revenue from the sale of assets that are no longer required over the next five years.

These actions were endorsed at the community and business meetings held during the review of the strategic plan.

There have been no material changes in the area since the review of the strategic plan.

**For Further Information**

Council is committed to an accessible budget and rate setting process strongly linked to community consultation through the strategic planning process. The Council's strategic plan, and other related plans are available at council offices and in the Council's libraries. Copies are available for a modest fee. For further information please contact the Chief Executive Officer, Ms Anne Cramond, phone 1234 5678.

The documents are also available on the Council's website at: [www.utopia.sa.gov.au](http://www.utopia.sa.gov.au)

## Example 2: Media Release for Rate Setting

### *Council of Utopia The 2003/04 Rate Setting Context*

New wetlands at Picnic Point will be considered by Council in discussions for next year's budget, scheduled to begin shortly.

"Strong community concern was voiced at the recent strategic plan review about environmental management, especially water," the Mayor/Chairman said this week.

"A key Council objective for the area, therefore, is sustainable management of the local environment and the wetlands proposal fits directly into this."

In keeping with the review, and community endorsement of its financial plan, Council is expected to adopt a budget that increases rate revenue by 7%.

#### **Other priority initiatives for the next three years include:**

- the provision of additional facilities and services for the increased numbers of older persons in the community;
- the replacement of ageing infrastructure assets – mainly roads and buildings – to maintain the area's capacity for transport and community services; and
- the sale of some surplus assets to generate funds for renewal of required assets.

#### **Factors taken into account in setting the rates will include:**

- the key objectives from the strategic plan;
- current increases in property values;
- budget required for operating the Council; and
- community views about Council's financial plan and appropriate levels of rates.

Council is committed to accessible budget and rate setting strongly linked to community consultation through the strategic planning process.

The Council's strategic plan, and other related plans are available at council offices, in the Council's libraries and on the website at [www.utopia.sa.gov.au](http://www.utopia.sa.gov.au)

To obtain a copy of the rating review newsletter please contact the information officer Ms Fiona Heaven, phone 1234 5668.

## Example 3: Media Release – Budget is announced

### *Council of Utopia -2003/04 Budget Announcement*

Council announced its budget today for the next financial year beginning on July 1, 2003.

The 2003/2004 budget requires a total expenditure of \$7.7 million dollars, an increase of 10% from last year.

Rate revenue will increase from \$5,000,000 to \$5,350,000 - an increase of 7% in line with Council's community endorsed financial plan.

The expenditure will allow:

- Wetlands scheme to enhance flood protection and improve the quality of run-off water - \$400,000;
- increased renewal of ageing assets - an additional \$300,000 for road renewals and \$150,000 for buildings refurbishment;
- a community bus service with a bus costing 90,000 and operating costs of \$100,000;
- additional debt servicing costs for loan of \$400,000 for wetlands scheme - \$50,000; and
- additional costs from general cost increases - \$100,000;

**"The budget is a key management tool to ensure Council can deliver high quality services and achieve some new priorities for its community," the Mayor/Chairman said today.**

Savings to council's budget will be made by:

- cost savings from resource sharing (\$200,000) and joint purchasing initiatives (\$200,000) within the Greater Region of Councils; and
- savings in administration costs from improvements to computer systems - \$100,000.

Budget outcomes for 2003/04 will particularly assist:

- primary producers to get their produce to market more efficiently and effectively (renewal of roads);
- townships of BeeTown and CeeTown through improvement to their community halls;
- our business centre through the improvement of flood protection in low-lying areas of the town; and
- pensioners and community groups through the community bus service.

Council has developed a range of measures to respond to ratepayers experiencing financial difficulties.

These measures, a Rating Review Newsletter and detailed budget documents are available at the Council's offices, the library and on the website on [www.utopia.sa.gov.au](http://www.utopia.sa.gov.au)

All ratepayers will receive more information about the budget, the rates decision and the rate relief policy with the next rates notice to be forwarded in July 2003.

For further information contact the Manager Corporate Services, Ms Angela Brinkworth, phone 1234 5679.

## **Example 4: Summary Rating Policy**

### *Council of Utopia A Summary of Rating Policy for 2003/2004*

[Note: This example summary does *not* include all the elements of a Council's Rating Policy required to be adopted by the Council under section 171 of the Act.]

The Council of Utopia is committed to an open and accessible approach to the annual rating and budget process. This brief explanation about the rating policy is being sent out with all rates notices.

#### **About the Rating Policy**

The aim of the rating policy is to provide a clear set of rules for rating that is endorsed by Council. The policy sets a framework for the rating decisions that includes:

- method used for and adoption of valuations;
- structure of rating;
- business impact statement;
- Council's collection role such as for the water catchment levy;
- concessions;
- rate relief; and
- payment of rates and late payment of rates.

#### **Budget Decisions**

The Council has carefully reviewed its expenditure and key priorities for the 2003/04 financial year. On June 26, 2003 the budget was announced providing for an expenditure of \$7.7 million dollars or an increase of \$700,000 (10%) on the current financial year. Total revenues to be raised will be \$7.7 million. This includes \$450,000 from funds set aside for asset renewal, which will enable planned renewal to occur.

A loan of \$400,000 will be raised for the wetlands scheme. An additional \$350,000 will be raised in rate revenue, an increase of 7% when compared with last year, in line with Council's community endorsed financial plan. Total rate revenue to be raised is \$5,350,000. This increase is partly funded from new development, including housing improvements and subdivisions paying rates for the first time.

#### **Paying Your Way – Rates and the Ratepayer**

The increased rate revenue will fund the costs of borrowing for the wetlands scheme, the implementation of the community bus service and the general increase in operating costs. The increase in rate revenue is the target increase set in the Council's strategic plan for each of the next five years. This will secure the funding of services for the community and the effective maintenance of the physical infrastructure of the area.

No change will be made to the existing rate structure, with differential rates continuing to be provided to primary producers - 80% of the general rate. This differential recognises the income fluctuations of primary producers and their remoteness from many of the council services. The rating structure provides for an equitable return to revenue from each category of ratepayer.

The impact of rates on businesses within the Council area has been reviewed. There are no significant changes to the local economy that are likely to reduce the capacity of businesses to pay appropriate rates to fund the services and infrastructure supporting businesses.

### **Movements in Property Values: Rate Capping the Individual Increases in Rates Liability**

Property values in the area have risen, on average, by 20%. However, coastal properties have typically risen by 35%-40%. About 300 of the 4,500 ratepayers in the area have experienced a property valuation increase of more than 25%.

The increase in values in the coastal area of the Council will impact on the rates charged and may cause some ratepayers hardship. To minimise this impact, rate increases for all residential properties that are the principal residence of the ratepayer will be capped at a maximum of 15%. This capping will not apply to:

- houses purchased since July 1, 2002;
- houses with improvements of greater value than \$10,000 completed since July 1, 2002.

It is estimated that the cost of providing ratepayers with a rate cap is \$25,000 and this represents a 0.5% increase, equating to approximately \$6 per ratepayer, of average rates payable.

### **Rate Relief for Ratepayers Experiencing Hardship**

The Council provides a range of options to ratepayers who are experiencing, or who might experience difficulty in paying their rates. These options are:

- flexible payment arrangements – fortnightly, monthly or other arrangements agreed between the ratepayer and the Council; and
- for pensioners and self-funded retirees – a remission of any increase in rates payable greater than the CPI; and/or the opportunity to defer a portion of their rates bill until the property is sold.

### **Further Information**

For more information about rate relief options and to find out the details of information required to apply for this assistance you are encouraged to discuss these matters in strict confidence by telephoning Mary Smith on 124 5688.

The Council's Rating Policy in more detail is available for review at the Council's main office and at the Council's libraries.

The rating policy is also available on the Council's website at: [www.utopia.sa.gov.au](http://www.utopia.sa.gov.au)

## Example 5: Rating Policy Media Release

### *Council of Utopia Council Rates for 2003/2004*

Following an extensive strategic planning and budget setting process, Council has set its rates for the 2003/2004 year.

This will result in an increase in rate revenue by 7% (\$350,000), in line with Council's community endorsed financial plan.

The budget announced last month provides for expenditure of \$7.7 million, an increase of \$700,000.

The budgeted expenditure will allow the achievement of key outcomes for 2003/04, including:

- primary producers to get their produce to market more efficiently and effectively (renewal of roads);
- townships of BeeTown and CeeTown through improvement to their community halls;
- our business centre through the improvement of flood protection in low-lying areas of the town; and
- pensioners and community groups through the community bus service.

The average increase in rates payable is about 4%, but ratepayers will pay more or less depending on changes to the value of individual properties

Property values have risen across the City by an average of 20% and the rate in the dollar has been adjusted to reflect this.

Coastal properties have risen more sharply by up to 40%.

To minimise inequitable impacts of valuation changes, council is introducing a capping of rates to a maximum of 15% to residential properties that are the principal residence of the ratepayer.

The Council provides a range of options to ratepayers who are experiencing, or who might experience difficulty in paying their rates. These options are:

- flexible payment arrangements – fortnightly, monthly or other arrangements agreed between the ratepayer and the Council; and
- for pensioners and self-funded retirees – a remission of any increase in rates payable greater than the CPI and/or the opportunity to defer a portion of their rates bill until the property is sold.

Council's rating policy is available at the Council offices, library and on the website on [www.utopia.sa.gov.au](http://www.utopia.sa.gov.au) or by telephoning Mary Smith on 124 5688.

## **Members of Steering Committee**

Andrew Stuart - Chair

Ione Brown - Office of Local Government

Stuart Mathews - Local Government Association

Sue Forder - Office of Local Government

Andrew McKeegan - Office of Local Government

Jane Gascoigne - Local Government Grants Commission

Paul Perry - Local Government Managers Association

Jeff Rittberger - Local Government Financial Management Group

Phyllis Robinson - S A Rate Administrators Association

Neil Bray - Valuer-General

Peter Fountain - Valuation SA