

Independent Pricing and Regulatory Tribunal  
New South Wales

## Special Variation Application Form – Part B

**For 2018-19**

**Muswellbrook Shire Council**

12 February 2018

Fiona Plesman



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## Tribunal Members

The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

Enquiries regarding this document should be directed to a staff member:

Derek Francis (02) 9290 8421

Anthony Rush (02) 9113 7790

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Completing the application form	1
1.2	Notification and submission of the special variation application	2
<b>2</b>	<b>Preliminaries</b>	<b>6</b>
2.1	Focus on Integrated Planning and Reporting	6
2.2	Key purpose of special variation	6
2.3	Capital expenditure review	16
<b>3</b>	<b>Assessment Criterion 1: Need for the variation</b>	<b>17</b>
3.1	Case for special variation – community need	17
3.2	Financial sustainability	23
3.3	Financial indicators	25
3.4	Contribution plan costs above the cap	27
<b>4</b>	<b>Assessment criterion 2: Community awareness and engagement</b>	<b>28</b>
4.1	The consultation strategy	29
4.2	Feedback from the community consultations	32
<b>5</b>	<b>Assessment criterion 3: Impact on ratepayers</b>	<b>33</b>
5.1	Impact on rates	33
5.2	Consideration of affordability and the community’s capacity and willingness to pay	35
5.3	Addressing hardship	37
<b>6</b>	<b>Assessment criterion 4: Public exhibition of relevant IP&amp;R documents</b>	<b>39</b>
<b>7</b>	<b>Assessment criterion 5: Productivity improvements and cost containment strategies</b>	<b>45</b>
<b>8</b>	<b>List of attachments</b>	<b>47</b>
<b>9</b>	<b>Certification</b>	Error! Bookmark not defined.

# 1 Introduction

IPART will assess each application against the criteria set out in the Office of Local Government's (OLG) *Guidelines for the preparation of an application for a special variation to general income* (the [Guidelines](#)). Councils should refer to these Guidelines before completing this application form.

Each council must complete this Part B application form when applying for a special variation to general income either under section 508(2) or section 508A of the *Local Government Act 1993* (NSW).

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both section 508(2) or section 508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council's resolution. IPART's assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2018-19 rating year.

## 1.1 Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and fact sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest videos and fact sheets on these topics are available on [IPART's website](#).

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

- ▼ Section 2 – Preliminaries
- ▼ Section 3 – Assessment criterion 1
- ▼ Section 4 – Assessment criterion 2
- ▼ Section 5 – Assessment criterion 3
- ▼ Section 6 – Assessment criterion 4
- ▼ Section 7 – Assessment criterion 5
- ▼ Section 8 – List of attachments
- ▼ Section 9 – Certification.

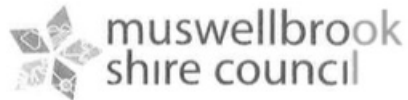
## **1.2 Notification and submission of the special variation application**

### **Notification of intention to apply**

Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 15 December 2017.

**Any councils that did not notify but intend to apply for a special variation for 2018-19 should contact us as soon as possible.**

Muswellbrook Shire Council (“Council”) provided advice to the NSW Independent Pricing and Regulatory Tribunal (“IPART”) of its intention to apply for a Special Variation for 2018/19 on 11 December 2017 through the Council portal. The letter is embedded in the application document below.



Enquiries  
Please ask for Fiona Plesman  
Direct  
Our ref  
Your ref

11 December 2017

Dr Peter Boxall AO  
Chair  
NSW Independent Pricing and Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP NSW 1240

By email: [REDACTED]

Dear Dr Boxall,

**RE: 2018/19 Special Rate Variation – Notification of Intention**

At its meeting on 25 October 2017, Muswellbrook Shire Council ("Council") resolved to give notice to the NSW Independent Pricing and Regulatory Tribunal ("IPART") of its intention to apply for a special rate variation from 2018/19. IPART was provided with informal advice of the intention prior to the 15 December 2017 due date.

Throughout 2017, Council has been undertaking an extensive and ongoing program of community consultation, which has confirmed wide ranging support for projects and programs that support a move towards diversification and establish Muswellbrook as a regional centre for the Upper Hunter.

The projects that the special rate variation will support were included as part of Council's Integrated Planning and Reporting (IP&R) documents as endorsed in 2016.

The special rate variation council seeks is for a one-off 14.7% (including 2.3% rate peg) from 2018/19 continuing permanently in the rate base, made up as follows:

- a. Residential, Business and Farmland rating revenue increase by 12.3% (including 2.3% rate peg) in 2018/19 which amounts to \$940,758; and
- b. Mining rating revenue increase by 18.3% (including 2.3% rate peg) in 2018/19 which amounts to \$951,809.

The special rate variation will support:

- An additional allocation of \$300,000 per year for stormwater drainage and \$100,000 per year for roads and parks asset maintenance program.
- Development of an Olympic Park Precinct Master Plan and an Entertainment and Conference Centre with a combined value of \$26,010,000 made up of:
  - an SRV contribution of \$11,800,000;
  - grants of \$10,500,000;
  - voluntary planning agreements amounting to \$3,710,000 and
  - an annual operational maintenance and net yearly operational contributions of \$700,000 for Olympic Park and the Entertainment and Conference Centre.

**Muswellbrook Shire Council** ABN 86 864 190 944

Address all communications to The General Manager · PO Box 122 · Muswellbrook NSW 2333  
Phone 02 8549 3700 · Email [council@muswellbrook.nsw.gov.au](mailto:council@muswellbrook.nsw.gov.au) · Web [www.muswellbrook.nsw.gov.au](http://www.muswellbrook.nsw.gov.au)

- *Please note:* if the above grants and voluntary planning agreements are not received or if the amounts received are less than the figures above, one or both projects may be suspended, reduced in size or cancelled and the special rate variation will be revisited and ratepayers informed of any material changes.

- An additional annual allocation of \$250,000 towards the Job Creation program and \$62,000 to offset a shortfall in rating revenues arising from a change in NSW Government policy with respect to biodiversity offsets.

Council looks forward to working closely with IPART on the application and would appreciate the opportunity to meet in the New Year. For further information please contact Ms Fiona Plesman, Director Planning, Corporate and Community Services on [REDACTED]

Yours sincerely



Steve McDonald  
**GENERAL MANAGER**



## Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](#) on IPART's website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 12 February 2018**.

The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

- ▼ Arsh Suri - [Arsh\\_Suri@ipart.nsw.gov.au](mailto:Arsh_Suri@ipart.nsw.gov.au) or 02 9113 7730

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 70MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. These file limits should be sufficient for your application. Please contact us if they are not.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART are redacted so that they do not expose confidential content.

Councils should also post their application on their own website for the community to access.

## 2 Preliminaries

### 2.1 Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed special variation to their General Fund's rates revenue as part of their Integrated Planning and Reporting (IP&R) process. The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council's application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

Council's application for a Special Variation ("SV") is supported by the Integrated Planning and Reporting (IP&R) framework, including the following documents:

- Community Strategic Plan 2017-2027 (endorsed 7 February 2017);
- Delivery Program 2017-2021 (endorsed 7 February 2017);
- Operational Plan 2017-2018 (endorsed 28 June 2017);
- Long Term Financial Plan 2018-2028 (endorsed 31 January 2018);
- Asset Management Policy (endorsed 8 August 2017)

Council's IP&R documents have been subject to public exhibition and consultation as required and endorsed by Council. All documents are available to the community on Council's website at [www.muswellbrook.nsw.gov.au](http://www.muswellbrook.nsw.gov.au).

### 2.2 Key purpose of special variation

At the highest level, indicate the key purpose(s) of the proposed special variation by marking one or more of the boxes below with an "x".

- |                                      |                                     |
|--------------------------------------|-------------------------------------|
| Maintain existing services           | <input type="checkbox"/>            |
| Enhance financial sustainability     | <input type="checkbox"/>            |
| Environmental services or works      | <input type="checkbox"/>            |
| Infrastructure maintenance / renewal | <input checked="" type="checkbox"/> |
| Reduce infrastructure backlogs       | <input type="checkbox"/>            |

New infrastructure investment

Other (specify)

You should summarise below the key aspects of the council's application, including the purpose and the steps undertaken in reaching a decision to make an application.

### Supporting attachments

- Attachment 1: Schedule of stormwater drainage works

### **Key Aspects of the Council's Application**

Muswellbrook Shire Council resolved on 25 October 2017 to make application to IPART (pursuant to section 508(2) of the *Local Government Act 1993*) for a permanent single year increase of 12.3% in the residential, business and farming categories and 18.3% in the mining category for 2018/19. The increases include the 2.3% rate peg. The increase is proposed to support the following programs to support key community priorities:

- development of a Regional Entertainment and Conference Centre (RECC);
- development of Olympic Park Precinct Upgrade projects;
- an allocation of \$695,000 per annum for maintenance of new infrastructure associated with the RECC and Olympic Park Precinct Upgrade;
- an additional allocation of \$300,000 per year for stormwater drainage;
- an additional allocation of \$250,000 towards a job creation program;
- an additional allocation of \$100,000 per year for roads and parks asset maintenance; and
- fund mining category rates shortfall resulting from a change in NSW Government policy with respect to biodiversity offsets.

### **REGIONAL ENTERTAINMENT AND CONFERENCE CENTRE**

Over the last eight (8) years, the Shire community has continually prioritised a performance space and conference facility; this has been included in Council's strategic planning documents.

Council, at its February 2017 Extraordinary Council Meeting, endorsed a Capital Expenditure Review for a then proposed Regional Convention and Performance Centre (RCPC) which was submitted to the Office of Local Government.

The operational impact of this proposed theatre was to be partly funded by revenue from a proposed SV, which was unsuccessful. Following the July 2017 Councillor Strategic Planning Workshop Councillors and staff reviewed the design of the proposed RCPC and, in late August, visited a number of theatres to better inform and refine the scope of the project.

The architects *DWP*, who prepared the Muswellbrook Town Centre Strategy and the Muswellbrook Precinct 1 Concept Masterplan, were engaged to develop the new concept. They were provided with a project brief that included requirements for key functional areas and an objective to reduce the overall build of the theatre. For example the site envelope has been reduced to avoid the need to purchase the adjoining building currently tenanted by the ABC and the basement car parking has been removed.

### Alignment with IP&R Documents

Council has prepared a Muswellbrook Precinct 1 plan which is a purpose-built civic services precinct - the primary catalyst project of the endorsed Muswellbrook Town Centre Strategy. The construction of a Regional Entertainment and Conference Centre is a critical path project for the delivery of this Precinct.

The NSW Government's *Hunter Regional Plan 2036* identifies the Muswellbrook Local Government Area (LGA) as the Regional Centre of the Upper Hunter. The plan also identifies the implementation of the Muswellbrook Town Centre Strategy to guide future development in the CBD, including plans for a purpose-built civic services precinct, as a priority.

Council's *Community Strategic Plan 2017-2027*, *Delivery Program 2017-21* and *Operational Plan 2017-2018* identifies a number of goals, objectives, targets and actions integral to the delivery of a Regional Entertainment and Conference Centre including:

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	ACTION (17/18)
GOAL TWO Diversify the economy, facilitate the development of intensive agriculture and other growth industries, make the shire a more attractive place to invest and do business.	2.4 Implement the Muswellbrook, Denman town centre masterplans and the Sandy Hollow Village Masterplan	Implement the first stage of the Muswellbrook town centre masterplan (Regional Convention and Performance Centre) and the Denman town revitalisation project, subject to Special Variation.	2.4.1 Investigate detailed design of a new commercial building within the Muswellbrook town centre
			2.4.2 Apply the Shire Town Centre Masterplans and Strategies
GOAL FOUR Develop Muswellbrook as a Regional Centre	4.1 Construct and maintain regionally significant infrastructure that facilitates regional service provision.	Increase in provision of regional service delivery.	4.1.1 Apply Shire Town Centre Masterplans, Development Control Plans and Regional Economic Development Strategies to support

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	ACTION (17/18)
			development of Muswellbrook as a regional Centre
GOAL SEVENTEEN Facilitate options to improve cultural activities in the Shire.	17.1 Construct a Regional convention and performance space subject to a Special Variation.	Construction completed.	17.1.1 Investigate the detailed design of the Regional Convention and Performance Centre (RCPC)
GOAL NINETEEN Our community's infrastructure is planned well, is safe and reliable, and provides required levels of service.	19.3 Facilitate investment in high quality community infrastructure necessary to a regional centre	High quality infrastructure is provided to support Muswellbrook as a regional centre.	19.3.11 Seek support for Council's infrastructure priorities for grant programs; e.g. Resources for Regions

### Financial Implications

The capital costs associated with construction of the Regional Entertainment and Conference Centre are summarised below.

Item	\$
Regional Entertainment and Conference Centre This equates to around \$3,800/m <sup>2</sup> for a 3,400m <sup>2</sup> building, not including the 'black box' valued at around \$750,000 Unless savings can be realised through the design and construction phases, Council will seek grant funding for the 'black box' separately.	13,000,000
Fitout of Centre (including seats, audio visual, IT, PA, curtains, lighting)	2,000,000
<b>TOTAL ESTIMATED CAPITAL COST OF ENTERTAINMENT AND CONVENTION CENTRE</b>	<b>\$15,000,000</b>

The actual operational costs are highly dependent on how Council ultimately operates the Centre.

<b>Fixed Expenses</b>	<b>\$</b>
3 full time equivalent staff Functions include centre management, admin., production and operations, marketing / box office.	190,000
Cleaning, maintenance (building, furniture, AV equipment, air con., lift, building surrounds), utilities, insurance	280,000
Brook St Plaza loss of revenue offset by Centre operations surplus	125,000
<b>Total operating costs</b>	<b>595,000</b>
Depreciation	242,500
Interest on loan \$7M average over the first 4 years	239,000
<b>TOTAL FIXED ANNUAL OPERATING COSTS</b>	<b>1,076,500</b>

Note that the above figures do not include the repayment of the loan principal (total principal repayments per year are \$459,000 using an average over the first 4 years). This is accounted for as a capital cost, but it will need to come out of Council's general revenues.

<b>Variable Items (related to Operation of the Centre)</b>	<b>\$</b>
<i>Performing Arts Program</i> This is revenue from ticket sales.	60,000
<i>Commercial Venue Hire</i>	50,000
<i>Community Venue Hire</i>	25,000
Revenue or Lease Fees for Bar/Café	40,000
<b>TOTAL VARIABLE REVENUES</b>	<b>175,000</b>
Performing Arts Program	100,000
Commercial Venue Hire	25,000
Community Venue Hire	15,000
<b>TOTAL VARIABLE COSTS</b>	<b>140,000</b>
<b>Surplus / (Deficit) from Centre Operations (to help offset fixed costs)</b>	<b>35,000</b>

## OLYMPIC PARK PRECINCT UPGRADE

Olympic Park is Muswellbrook's premier sporting precinct. It is home to junior and senior rugby league and touch football, velodrome and two tennis clubs. This offering is rounded out by being co-located with the Muswellbrook Aquatic Centre and Muswellbrook Golf Club.

'Stage 1' of this project aims to address significant issues with parking and access (which will be addressed via construction of a bridge, formal car parking and shared pathways) and over-use of fields (which will be addressed via installation of field drainage) as well as taking opportunities to improve the aesthetics and functionality of the site (with the new amenities and landscaping, etc.).

'Stage 2' consists of a new larger regional standard grandstand to attract larger sporting fixtures.

### Alignment with Council's IP&R Documents

Council's *Community Strategic Plan 2017-2027*, *Delivery Program 2017-21* and *Operational Plan 2017-2018* identifies a number of goals, objectives, targets and actions integral to the delivery of the Olympic Park Precinct Upgrade including:

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	ACTION (17/18)
GOAL FOUR Develop Muswellbrook as a Regional Centre	4.1 Construct and maintain regionally significant infrastructure that facilitates regional service provision.	Increase in provision of regional service delivery.	4.1.1 Apply Shire Town Centre Masterplans, Development Control Plans and Regional Economic Development Strategies to support development of Muswellbrook as a regional Centre
GOAL FIVE Continue to improve the affordability, liveability and amenity of the Shire's communities	5.1 Implement the outcomes of the Recreation Needs Study	The recommendations from the Recreation Needs Study are implemented	5.1.2 Recreation Needs Study used for works planning and budget purposes
	5.4 Improve access to waterways	Greater appreciation and interaction by the community with our local rivers and creeks.	5.4.1 Commence investigation and design a Public Art Trail along accessible parts of Muscle Creek and/or the Hunter River that provides options for passive exercise, recreation and social inclusion
	5.5 Promote and facilitate increased participation in active and passive recreation activities	Increased participation in recreation activities	5.5.3 Maintain the sporting and recreational facilities to standard 5.5.6 User group consultation program
GOAL THIRTEEN Our local rivers and creeks are enhanced, utilised and valued	13.1 Adopt an Urban Riparian Masterplan and implement actions.	Healthier waterways and greater recreational use by the community.	13.1.1 Muswellbrook Urban Riparian Master Plan (MURLMP) is adopted and

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	ACTION (17/18)
			implemented
GOAL NINETEEN Our community's infrastructure is planned well, is safe and reliable, and provides required levels of service.	19.3 Facilitate investment in high quality community infrastructure necessary to a regional centre	High quality infrastructure is provided to support Muswellbrook as a regional centre.	19.3.11 Seek support for Council's infrastructure priorities for grant programs; e.g. Resources for Regions
GOAL TWENTY ONE The road, footpath and cycleway networks are integrated and allow for the safe movement of residents around the Shire.	21.1 Maintain and continually improve the Shire's footpath and cycleway networks to improve connectivity.	The Shire's footpaths cycleways and carparks are well planned, maintained, safe, assist community connectivity and meet the community's service expectations.	21.1.2 Provide a report to Council on options to be funded and the amounts necessary to achieve the Delivery Plan

### Financial Implications

The capital costs associated with construction of the Stage 1 and Stage 2 works at the Olympic Park Precinct are summarised below.

Item	\$
<b>Works already funded</b>	
Stage 1 Carpark	660,000
Masterplan	50,000
<b>All other Stage works</b>	
Improve safe access, car parking, landscaping	
Amenities block, meeting room and storage	
Field improvements	
New bridge over Muscle Creek and approaches (approx. \$1.8M)	
Concept design for Grandstand	
Grandstand (Stage 2) (approx. \$5.5M)	10,300,000
<b>TOTAL ESTIMATED CAPITAL COST</b>	
Note: design scope of bridge and grandstand will be within available budget	<b>\$11,010,000</b>

The operational costs are summarised below:

Expenses	\$
Additional maintenance to precinct	100,000
Depreciation	165,000
Interest on loan \$4.8M average over the first 4 years	164,000
<b>TOTAL FIXED ANNUAL OPERATING COSTS</b>	<b>429,000</b>



Note that the above figures do not include the repayment of the loan principal (total principal repayments per year are \$315,000 using an average over the first 4 years). This is accounted for as a capital cost, but it will need to come out of Council's general revenues.

## **NEW MAINTENANCE COSTS - REGIONAL ENTERTAINMENT AND CONFERENCE CENTRE & OLYMPIC PARK PRECINCT UPGRADE**

An allocation accounted for in the operating expenses for of the proposed Regional Entertainment and Conference Centre, and the Olympic Park Precinct Upgrade is proposed to be funded under this application.

## **STORMWATER DRAINAGE MANAGEMENT**

Council continues to manage improvements in its stormwater drainage in accordance with the Urban Stormwater Management Plan but additional items have come to light in excess of Council's current capacity.

Council endorsed the priority program of storm water improvements at its Extraordinary meeting on 31 January 2018, which is attached as Attachment 1.

The current total estimated cost of outstanding stormwater asset works is approximately \$5.6M. The target increase in revenue from the SV of \$300,000 pa will be used to fund these outstanding works.

Council's Stormwater Management Levy raises around \$155,833. It is important to understand that the Stormwater Management Levy has restrictions on how the funds can be spent (LG Act). Income from the charge can be spent on both capital projects and recurrent expenditure relating to new or additional stormwater management services to eligible land. Revenue cannot be used to fund the stormwater asset renewal or for works in Rural areas.

<b>COMMUNITY STRATEGIC PLAN GOAL</b>	<b>DELIVERY PROGRAM OBJECTIVE</b>	<b>DELIVERY PROGRAM TARGET</b>	<b>OPERATIONAL PLAN ACTION (2017/18)</b>
GOAL NINETEEN Our community's infrastructure is planned well, is safe and reliable, and provides required levels of service	19.4 Maintain and continually improve community infrastructure across the Shire	Roads, footpath and cycleway networks, stormwater devices and kerb and guttering are well maintained, safe and meet relevant standards and the community's expectations.	19.3.1 Provide to Council a list of works proposed for design

It is noted that this year's Operational Plan Action is to identify works to be designed in preparation for funding options as they become available.

## JOB CREATION PROGRAM

The community has identified the need to improve job security as a key priority for Council. In response Council recognises its responsibility to show leadership now in the face of a transitioning economy. To this end, Council has commenced work on a package of initiatives to diversify the economy and create new jobs in new industry sectors. A key initiative is the establishment of the Upper Hunter Economic Development Corporation, which aims to create 1500 additional jobs over the next eight (8) years. The proposal is to use \$250,000 annually of the SV towards seed funding or co-funding initiatives to create employment opportunities, particularly in new and emerging industries. Council has successfully used this approach to job creation with the establishment of a new University of Newcastle campus, along with a large-scale pilot plant to develop and commercialise lignocellulosic waste product as green diesel and fuel products.

### *Alignment with IP&R Documents*

<b>COMMUNITY STRATEGIC PLAN GOAL</b>	<b>DELIVERY PROGRAM OBJECTIVE</b>	<b>TARGET</b>	<b>ACTION (17/18)</b>
GOAL ONE Support job growth	1.1 Facilitate the expansion of and establishment of new industries and business	New growth achieved	1.1.1 Develop the subsidised innovation
	2.2 Work with University of Newcastle on research and innovation in areas where the Upper Hunter has a competitive or comparative advantage	Research and innovation leads to the establishment of new industries	2.2.1 Bring key stakeholders together to initiate and progress projects and programs that have a high probability to deliver positive economic outcomes for the Shire

## PRECINCT ROADS AND PARKS ASSET MAINTENANCE

Increased areas of passive reserve have been added to Council's asset inventory through development, for example at Eastbrook Estate, and increased levels of service are required at upgraded Council facilities, such as the regional playground at Highbrook Park. Additionally, upgrades to Council's infrastructure in the Muswellbrook CBD, including the Beersheba Memorial, and Denman's town entrance at Palace Street, also require increased levels of service due to the establishment of additional gardens and planting that enhance aesthetics and liveability.

In the roads environment, increased levels of service are required, particularly in roadside vegetation management and the carrying out of regular line marking refresher programs, as well as the need to appropriately manage increasing costs in the provision of roads operational and maintenance services.

It is proposed that the appropriate management of service provision in the areas described above will be met through \$100,000 annually (as proposed by the SV).

## **RECOVERY OF BIODIVERSITY OFFSET RELATED MINING CATEGORY RATING REVENUES**

On 2 December 2016 a Voluntary Conservation Agreement between the NSW Government and Mt Arthur Mine was gazetted. It was in relation to a parcel of land to be used as environmental offset and Council was required to reclassify it as non-rateable (pursuant to section 555 of the *Local Government Act 1993*). The impact on Council's rating income for 2017/18, which is permanent and cannot be redistributed to other ratepayers, was \$62,000. The proposed increase seeks to recover that amount from ratepayers in the mining category.

### **Purpose of the Council's Application**

The Muswellbrook Shire has had a traditional reliance on the thermal coal mining industry for economic activity and employment. Council, and its community, is determined to actively transition the Shire away from a reliance on a single industry sector.

The development of new infrastructure, increased maintenance of existing infrastructure, and enhanced support for a job creation programs will act as catalysts to strengthen the viability, stability and liveability of the Shire. It will contribute to the ongoing building of economic diversity and resilience by supporting new and enhanced liveability and economic infrastructure. In turn, this will support the Shire as a Regional Centre, consistent with the priorities set by the NSW Government in its *Hunter Region Plan 2036*, and with Goal 4 of Council's *Community Strategic Plan 2017-27 (CSP)*:

“Our community was also clear that they see Muswellbrook as the regional centre of the Upper Hunter, which is backed by the NSW Government's Upper Hunter Economic Diversification Plan. It is argued that the growth of the town will generate demand for jobs and services that will help offset some of the long term decline in the thermal coal and power industries.”

### **Steps undertaken in reaching the decision to make the Application**

Council has a continuous program of community engagement and consultation. Over the last two years, Council has undertaken its most comprehensive program of community engagement in the Council's history. This program of community engagement has been a key informer for Council in determining to make the Application for the identified projects and programs.

Muswellbrook Shire Councillors were elected in September 2016 and have each participated in a series of strategic planning workshops to confirm the priorities for the Council during the course of their four year term. Councillors are kept informed of, and participate in the formal consultation program that had been undertaken during the previous two years, which included consideration of the Muswellbrook Town Centre Strategy, Denman Town Centre Master Plan, revised Local Environmental Plan (LEP), Olympic Park Precinct Upgrade, Muswellbrook Entertainment and Centre Plan, the Recreation Needs and Management Study and Denman Memorial Hall Restoration Plan; together with the work of the Shire's Community Panel, Listening Posts, surveys and community forums.

The community's focus remains firmly on jobs, economic diversification and resilience, increased liveability and a growing Regional Centre. The priorities are also supported by a suite of NSW Government strategic priorities, including the *Hunter Regional Plan 2036* and its accompanying Implementation Plan 2016-18.

Council has also considered alternative sources of revenue for the projects subject to the Application, including a review of fees and charges levied on specific users of the community's facilities, the appropriate use of debt and cash reserves, external grant funding opportunities and the possible application to IPART for a SV.

It is noted that the priorities identified for funding in this application differ in part from those included in Council's unsuccessful application to IPART for 2017/18. A number of large scale grant funding programs were announced by the NSW Government since Council's last application to IPART and a number of the projects identified for that application were selected as suitable candidates for those grant funding projects. Improvements to the Muswellbrook Aquatic Centre have been part-funded through the NSW Government's *Stronger Country Communities Fund* and the Denman Masterplan works have been shortlisted for funding under the *Resources for Regions* Program.

Each of these factors has informed Council's decision on 25 October 2017 (and reconfirmed on 31 January 2018) to make the Application to IPART to support those identified priorities.

### 2.3 Capital expenditure review

You should complete this section if the council intends to undertake major capital projects that are required to comply with the OLG's Capital Expenditure Guidelines, as outlined in OLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater.

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

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Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, has a review been done and submitted to OLG?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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## 3 Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

*The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

- *Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and*
- *Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

*Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.*

*Evidence could also include the assessment of the council's financial sustainability conducted by Government agencies.*

The response to this criterion should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise).

The criterion states that the need for the proposed special variation must be identified and clearly articulated in the council's IP&R documents especially the Long Term Financial Plan and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

### 3.1 Case for special variation – community need

Summarise and explain below:

- ▼ How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.

- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
- ▼ How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Supporting attachments:

- Attachment 2: **CONFIDENTIAL** copy of full list of projects considered by Councillors.

Identification and consideration of the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.

Council has undertaken its most comprehensive community engagement program to date, the details of which is set out in sections 4.1 and 4.2, and has included telephone surveys, the establishment of a Community Panel, listening posts and community forums, all of which has helped inform the strategic planning of the Council.

Between October 2016 and July 2017, Councillors participated in a series of strategic planning workshops culminating in two two-day strategic planning weekends. Councillors weighed up and reviewed a number of matters in considering the exhibition of a draft community strategic plan for community feedback, this included:

- The findings of the telephone survey (and particularly its three highest community priorities – jobs (16%), roads (11%), more youth activities (9%);
- Their feedback during the election period;
- External and internal expert opinion – including information received from the Office of the State's Chief Planner, and the Hunter Research Foundation Centre at the University of Newcastle; and
- The previous Council's strategic planning and policy response.

Council considered a comprehensive list of potential programs and projects in an effort to commence preparations for prioritising the project/program options. It was agreed early on that core infrastructure responsibilities (such as roads, water and waste water services) were already addressed in detailed asset management and level of service plans and that such core programs would be prioritised above anything else. Particularly it was broadly agreed that the appropriate asset management ratios in these categories would need to be achieved. Councillors then refocused their attention on the more discretionary project prioritisation.

A confidential copy of the full list of projects considered by councillors is attached (Attachment 2). It is noted that the column three notations are a summary of the discussion of councillors, noting that core infrastructure projects were not discussed in detail – the Council having broadly resolved to honour in full the previous Council's commitment to financial and asset management sustainability set out in its *Fit for the Future* submission.

In order to meet road asset management commitments, the Delivery Plan and IP&R documents incorporate an increase to road maintenance funding and a 50% increase to stormwater drainage maintenance. There are also increases to building and recreation maintenance funding.

As set out in the CSP, community feedback has indicated strong concern about job security. The recent closure of Drayton Coal in November 2016 and the announcement of AGL of the planned closure of Bayswater (2036) and Liddell (2022) power stations have had a substantial impact on local employment.

**How the decision to seek higher revenue above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.**

The decision to seek higher revenue above the rate peg through this Special Variation application has not been made in isolation, but rather has been a product of Council's ongoing cycle of planning, review and analysis of population and business trends.

Council has actively explored a variety of other funding options as part of this ongoing cycle, particularly in light of the long term economic projections for traded thermal coal. These options, which will continue to remain relevant whether or not a Special Variation is granted in 2018/19, include the following:

Grant Funding

Over the past 3 years, Council has sustained a 45% (\$12.6m) reduction in the receipt of operational and capital grants. In addition, funding opportunities through the Federal and State Government are becoming increasingly competitive and dependent on matched funding contributions from applicants, and this is expected to remain so for 2018/2019. It is noted that Council has limited capacity to fulfil the matched funding requirements without placing pressure on projects already prioritised in its works program.

Despite these funding pressures, Council has continued to undertake a proactive approach in its search for capital grants and will be seeking \$10.5m (40%) in grant funding towards the proposed SV projects.

However, if no grant funding was obtained, Council will be able to substantially complete the SV projects, as follows:

- Cancel stage 2 of the Olympic Park Precinct Upgrade project, which consists of the development of a new, larger, regional-standard grandstand to attract larger sporting fixtures. This would eliminate the \$5.5m grant requirement without compromising the originally proposed stage 1 Olympic Park developments, which address issues with parking, access and over-use of fields;
- Substitute the \$5m of proposed grants necessary for the development of the Regional Entertainment and Conference Centre with loans to that amount. This would increase the loan load to \$16.8m and would lengthen the payback period to 29 years post the SV commencement, which is within Council's projected 30 year tolerance.

Council will continue to seek out grant opportunities as they arise. It is likely that if Council is able to secure additional grant funding, any such grants will be for one-off projects.

## Loans

As at 30 June 2017 Council's loan portfolio stood at \$24.9m, which will be fully repaid by 2026.

Council's Debt Service Cover ratio (the proportion of loan repayments to Operating Result) as at 30 June 2017 stands at 4.49x - well above the minimum benchmark of 2x. Loan funds are seen as a suitable funding source for community developments as the cost of providing these assets is spread across future beneficiaries.

The 10 year forecasts developed by Council with the proposed SV, project that \$11.8m loans need to be taken up to enable the completion of the proposed SV projects. The payback period of those loans is calculated to be 27 years.

These forecasts are based on a loan interest amounting to 4% and, as current loans are repaid, it has been projected that loan repayment levels will be contained within current funding levels and will not be increasing.

The loan load for the SV projects is expected to increase to \$16.8m, should grant funding be unavailable, as explained in the *Grant Funding* section above. The payback period for this increased load is calculated to be 29 years.

## Voluntary Planning Agreements

Over the years, Council has been successful in negotiating Voluntary Planning Agreements (VPA), which are alternative funding arrangements agreed with the major mines in an effort to deliver a more collaborative engagement between the mines and the community and distribute tangible community benefits from the mining operations back to the community.

In this regard, Council will seek \$3.7m in VPAs towards the proposed SV projects. Discussions regarding these VPAs have commenced already and some commitments have been received in-principle by some mines.

## Fees and Charges Reviews

Council annually establishes its fees and charges in accordance with the provisions of the Local Government Act 1993. Statutory fees are fixed by regulation, legislation or a State/Federal Authority. As such, Council has no influence on how statutory fee levels are determined nor do such statutory fees tend to increase by CPI or reflect the true cost of providing the service.

The remaining Council fees and charges will be increased at 2.5% to align with the anticipated salary and wages increase of 2.5%. This increase is slightly higher than September's CPI of 1.9% but this is justifiable because it supports Council's cost recovery strategy without placing a burden on the community.

This fee increase, although minimal, will help keep Council's funds sustainable without requiring future SVs to help prop up Council's operations.



## Reserve Funding and Internal Lending

Note 6 in Council's 2017 financial statements show that Externally Restricted Reserves amount to \$36.4m and Internally Restricted Reserves amount to \$11.8m.

The externally restricted reserves cover funds raised for domestic waste, water and sewer supplies, Section 94 Developer Contributions and specific purpose grant funds. These reserves can only be used for the purpose for which they were raised.

In light of the low interest rates earned in the current economic environment, Council has undertaken to optimise the value from its reserves by formally setting up an \$8m internal loan for the construction of Council's new Reuse Water Treatment Plant. This will ensure that the interest earned internally on the funding is higher than that offered on the Australian securities market, while the interest paid is lower than what can be negotiated with Australian banks. Undertaking internal lending comes with the added benefit of not saturating the banks' portfolios with Council's loans and therefore ensuring their appetite to deal with Council remains optimised.

Internally Restricted Reserves include funds held under resolution of Council for such items as employee leave entitlements, waste management centre and plant and vehicle replacement. Council is fastidious in utilising Internally Restricted Reserves for the purpose for which they were resolved by Council.

### New fees

The legislative framework under which all Councils operate places limits on revenue raising options. Council considers all options each year during its budget process including reviewing new fees levied by other local government areas and actively requesting benchmarking services from external providers. However, there is a limited opportunity to introduce new fees that would generate any significant revenue streams.

**Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.**

Council's operating budget is such that, without reducing services, there are insufficient funds available to meet the cost involved in establishing an ongoing borrowing program of the magnitude required to address the development of both SV projects without an SV.

Without an injection of funds from the rating base Council will be unable to significantly improve the attractiveness and liveability of its community. This will place its long term sustainability at risk.

To reiterate, Council has actively pursued numerous funding and revenue opportunities, efficiencies and productivity improvements (as described above) but recognises the limitations before it in introducing new significant revenue streams. Council cannot without an injection of additional rate revenue fund a significant rolling loan borrowing program of a magnitude that would address its two SV projects in their entirety.

How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts.

Council's financial goals, as supported by its LTFP are to achieve the following:

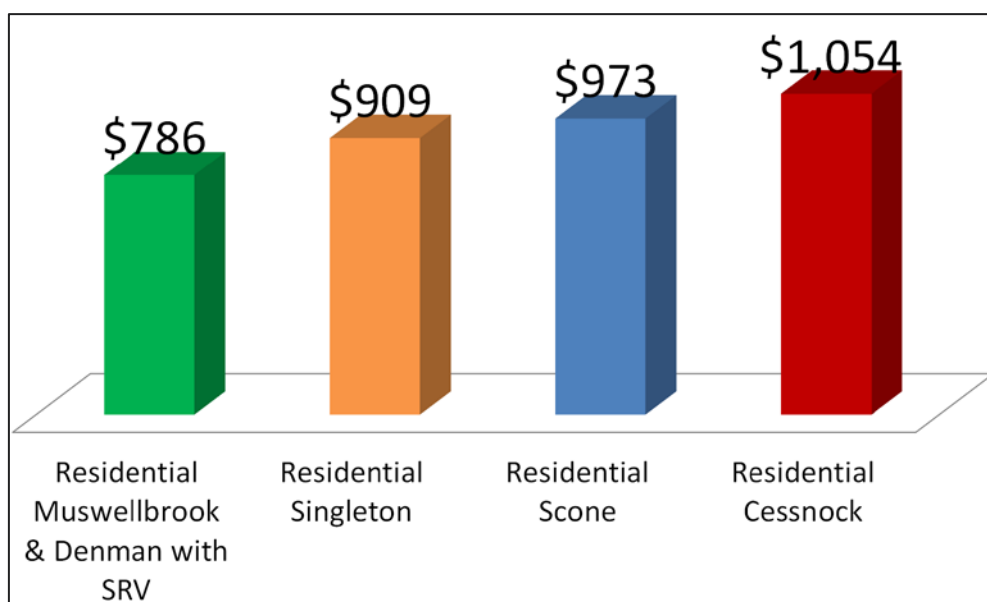
- modest operating surpluses in order to insulate Council from unforeseen events
- future-proofing Council's rate base by expanding its community with additional regional facilities
- maintain, or where appropriate, increase current service levels to meet the needs of the community
- maintain adequate levels of debt:equity funding
- a program of activity that sees Council's assets leveraged appropriately for the long term benefit and sustainability of Muswellbrook's community.

Council's conservative operational and asset management ensures that this Council continues to maintain and grow its strong financial operational liquidity.

In an effort to retain and grow a connected and engaged community into the future, Council is proposing to undertake these legacy-building SV developments.

The LTFP 2017-2027 attached to this submission illustrates that these SV developments cannot be delivered under Council's Base Model (status quo).

Benchmarking against surrounding councils confirms that Muswellbrook's average residential rate, including the proposed SV increase, would remain amongst the lowest in the region, as per the below:



### 3.2 Financial sustainability

The proposed special variation may be intended to improve the council's underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

- ▼ The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council's financial sustainability (eg, by auditors, NSW Treasury Corporation). Indicate how such assessments of the council's financial sustainability are relevant to supporting the decision to apply for a special variation.
- ▼ The council's view of the impact of the proposed special variation on its financial sustainability.

Council is financially sustainable. It is able to achieve a positive operating performance ratio and meet the benchmarks for the key asset ratios over the term of the LTFP 2018-2028. The proposed SV is intended to fund specific projects to improve viability and liveability as a future Regional Centre and retain future rate payers connected to and engaged with the community into the long term. Council has employed sound financial management through a disciplined approach, as reflected in Council's positive assessment as *Fit for the Future*.

2017/18 produced a balanced budget and the forecast is that Council will have the capacity to maintain current service levels with current modelling (without the SV). In order to develop those projects and programs proposed for funding in Council's application to the IPART the SV is required.

TCorp's Report on Financial Sustainability of the NSW Local Government Sector (April 2013) assessed Council (a Group 11 council) as having a moderate Financial Sustainability Rating (FSR) and a neutral outlook. Council has embraced the IP&R process and the objective of moving from a focus on the annual budget cycle to a long term, strategic approach to planning.

The SV will allow Council to deliver on additional key community projects in the short to medium term, while providing stronger financial sustainability into the long term, as the Shire transitions away from its reliance on mining revenue.

Council has maintained a disciplined approach to financial management over the last nine (9) years to continually improve its Operating Result. It has achieved this through strong controls on operating expenditure, increasing efficiencies in business operations and service delivery and the implementation of the principles necessary to allow Council's Water and Sewer funds to pay a dividend to the General Fund.

The ongoing positive impact of these actions on the Operating Result has been invested in Capital Renewal and Replacement programmes and in establishing facilities that are geared

around shifting the emphasis of the local economy away from coal mining and toward other opportunities, especially around education.

As a result of these efforts, Council's modelling predicts that without any great changes with respect to its ongoing Operating and Capital Revenue and expenses that it can achieve ongoing operating surpluses and continue to fund an appropriate level of infrastructure replacement and renewal works.

In addition to this, Council holds significant Current Assets in relation to its General Fund (\$6.2m in cash and cash equivalents, \$8.2m in current investments and \$6.3m in accounts receivable as at 30 June 2017) and a low level of debt outstanding (\$24.9m as at 30 June 2017). This provides the General Fund with a large degree of flexibility in terms of being able to borrow or to use cash reserves in order to invest in either infrastructure replacement and renewals, or in activities designed to achieve further improved operating results. The current modelling allows Council to not only meet these important community needs but also to:

- Increase maintenance spending on roads, recreation facilities and buildings, leading to measurable improvements in the Asset Maintenance Ratio for these infrastructure assets.
- Invest in the organisation with ongoing Operational Budget Allocations to projects aimed at achieving ongoing operational improvements that will further improve the Operating Result.
- Invest in the renewal of Council's Information Technology assets.
- Maintain the renewal and replacement of all other non-infrastructure assets.

It should be noted that Council has established a Future Fund. This fund is accounted for in the same manner as the Water and Sewer Funds. Council's modelling indicates that the Future Fund is sustainable in and of itself and the focus of this SV application is only on the General Fund itself.

In addition to this, modelling of Council's Water and Sewer Funds also indicate that these funds are financially sustainable and able to generate ongoing operating surpluses and fund ongoing replacement and renewal of assets including the current \$40m renewal of its Reuse Water Treatment Plant. It is not expected that Council will need to take significant actions in terms of either pricing or service reductions in order to maintain these funds' ongoing financial sustainability.

To conclude, Council's current financial situation is very sound and the modelling undertaken indicates that this will remain so in the absence of the SV applied for. However, the aim of the application is to allow Muswellbrook Shire to position itself as a Regional Centre for the Upper Hunter of NSW; it is this current soundness in its financial position that allows Council to propose the projects that are outlined in the application.

The main impact of the proposed SV in terms of financial sustainability is that it allows Council to maintain the current levels of financial sustainability while still being able to add to the amenity of the Shire and enhance its ability to act as a Regional Centre.

The modelling would suggest that, were the application to be successful, Council would be able to implement the community's identified priorities.

### 3.3 Financial indicators

How will the proposed special variation affect the council's key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the Long Term Financial Plan, an analysis of council's performance based on key indicators (current and forecast) which may include:

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital grants and contributions as percentage of operating revenue before capital grants and contributions).
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

In the preparation of this application, Council has been conscious of the need to maintain its current level of financial sustainability while still being able to provide the new and enhanced facilities and programs discussed in this application. As such, the following table shows comparative results and ratios calculated assuming both the scenarios inherent in an unsuccessful (Scenario 1) and successful application (Scenario 2). This demonstrates there is no material difference between the two in terms of financial sustainability highlighting the fact that the SV projects are self-sustaining without needing to be propped up by the General Fund. The major ratios for comparison are listed below:

GENERAL FUND

Muswellbrook Shire For the year	Actuals 2016/17	Budget 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
<b>Operating balance ratio excl capital items</b>												
Base Case (Scenario 1)	9%	0%	0%	1%	1%	0%	1%	1%	1%	1%	2%	1%
SRV Case (Scenario 2)	9%	0%	4%	4%	1%	1%	1%	1%	2%	2%	2%	2%
<b>Unrestricted current ratio</b>												
Base Case (Scenario 1)	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52
SRV Case (Scenario 2)	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52	2.52
<b>Rates and annual charges ratio</b>												
Base Case (Scenario 1)	43%	42%	44%	45%	45%	45%	45%	45%	45%	45%	44%	44%
SRV Case (Scenario 2)	43%	42%	47%	48%	48%	48%	48%	48%	48%	47%	47%	47%
<b>Debt service ratio</b>												
Base Case (Scenario 1)	3%	3%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%
SRV Case (Scenario 2)	3%	3%	7%	6%	3%	3%	3%	3%	2%	2%	2%	2%
<b>Broad liabilities ratio</b>												
Base Case (Scenario 1)	29%	25%	24%	22%	20%	19%	17%	15%	15%	14%	13%	12%
SRV Case (Scenario 2)	29%	25%	51%	45%	42%	39%	36%	34%	32%	30%	28%	27%
<b>Asset renewal ratio</b>												
Base Case (Scenario 1)	37%	189%	163%	99%	100%	106%	106%	106%	107%	106%	104%	101%
SRV Case (Scenario 2)	37%	189%	163%	99%	99%	105%	105%	105%	105%	105%	103%	101%

It should be noted that the decreasing debt service ratio shown in relation to the scenario where the application is not successful will provide Council with an option to sustainably borrow funds to allow for the correction of any negative financial or infrastructure issues that arise over the life of the Long Term Financial Plan.

It can be seen that Council's Broad Liabilities Ratio is worsened under Scenario 1 where the SV application is successful. This is brought about largely by the increased debt levels required to fund the projects proposed in the application. Despite this worsening, it should be noted that the ratio still remains within acceptable levels and noting that the Debt Service Ratios also stay at appropriate levels, the results do not provide great cause for concern.

In relation to both scenarios, the Asset Renewal Ratios are thought to be adequate in terms of maintaining Council's infrastructure at an appropriate level even where they fall under the preferred level of 100% as they are both impacted by a series of newly constructed buildings that are unlikely to require major renewal works in the short or medium terms. A concerted effort has been made in both scenarios to ensure that the renewal of roads and older community buildings have been adequately provided for. It should further be noted that in Scenario 1 Council still has sufficient cash reserves and borrowing capacity to be able to adjust spending in this area to be able to match the infrastructure needs outlined in Council's asset management strategy.

### 3.4 Contribution plan costs above the cap

You should complete this section if the proposed special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:<sup>1</sup>

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning's response to IPART's review and details of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to use, and
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, Long Term Financial Plan and Asset Management Plan AMP).

Not applicable.

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<sup>1</sup> See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

## 4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

*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. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category*

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.<sup>2</sup>

In responding to this criterion, the council must provide evidence that:

- ▼ it has consulted and engaged the community about the proposed special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ it provided opportunities for input and gathered input/feedback from the community about the proposal, and
- ▼ the IP&R documents clearly set out the extent of the requested rate increases.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

- ▼ the proposed cumulative special variation rate increases including the rate peg for each major rating category (in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the proposed special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size and impact of any expiring special variation (see Box 4.1 below for further detail), and
- ▼ the rate levels that would apply without the proposed special variation.

More information about how the council may engage the community is to be found in the Guidelines, the IP&R manual and our fact sheet.

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<sup>2</sup> <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>



#### **Box 4.1 Where a council is renewing or replacing an expiring special variation**

The council's application should show how you have explained to its community:

- ▼ There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.
- ▼ The corresponding percentage of general income that the expiring special variation represents for the relevant year.
- ▼ Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.
- ▼ The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.
- ▼ If the proposed special variation was not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall.

The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

#### **4.1 The consultation strategy**

The council is required to provide details of the consultation strategy undertaken, including the range of methods used to inform and engage with the community about the proposed special variation and to obtain community input and feedback. The engagement activities could include media releases, mail outs, focus groups, statistically valid random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

The council is to provide relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation and attach relevant samples of the council's consultation material.

##### Supporting attachments:

- Attachment 3: Community Engagement Strategy
- Attachment 4: Jetty Research Capacity Statement
- Attachment 5: Muswellbrook Shire Council SV Proposal 2018/19: Community Consultation and Engagement Report

Over the last two years Council has invested in significantly improved processes of community engagement and consultation and follows the four (4) yearly review of Council's Community Engagement Strategy in 2016 (Attachment 3). The Strategy is designed to ensure that the 17,209 residents are able to provide direct feedback on Council and the services and infrastructure it provides. The elected Council has also appointed a Councillor Spokesperson for Community Engagement, who oversees Council's community consultation activities and provides a direct connection between those initiatives and the elected Council. The Strategy allows for innovation and in 2017, Council established for the first time a Community Panel to directly inform Council's direction and to test a range of

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policy responses to community wishes captured in the Community Strategic Plan. Among those issues considered by the Panel were the projects and programs subject to this Application. Further, it is noted that notwithstanding the broad community support for the projects included in the Delivery Program 2017-21, and Council's unsuccessful application to IPART for 2017/18, Council also undertook further consultation with the public to ensure that the Delivery Program priorities identified for funding in this application were still broadly supported and understood by the community.

A number of specific direct contact consultation tools were employed to ensure that the Shire's communities are both well informed and aware of the SV proposals and able to have a genuine say on how they feel about the proposed rate increase and the projects it is proposed to fund. These community engagement activities have included:

#### Listening Posts

This was a series of one-on-one surveys undertaken by staff in prominent locations across the Shire to gauge support for the proposed rate increase and to confirm the priorities identified for funding.

#### Telephone Surveys

Two telephone surveys were conducted on behalf of Council in 2017 by Jetty Research, which is a prequalified supplier of research and community engagement services to a range of NSW Government agencies and undertakes work on behalf of approximately thirty councils across the State. A copy of Jetty Research's capacity statement is attached ([Attachment 4](#)).

The first survey measured current satisfaction with selected Council facilities and services, and community attitudes to different aspects of living in the Shire and was positively benchmarked against Council's community satisfaction base-line data. The second related to the specific proposals of this application.

#### Online Survey

Council also engaged Jetty Research to undertake an independent online survey of the community to gauge community levels of support and awareness of the specific SV proposals.

#### Public exhibition period of project plans and business cases

Council endorsed project plans and business cases for each of the Olympic Park Precinct Upgrades and Regional Entertainment and Conference Centre project, which were placed on public exhibition for 28 days for the public to provide feedback on the proposal.

#### Traditional Media

Council successfully pitched news articles and stories to the Muswellbrook Chronicle, Newcastle Herald, ABC Upper Hunter and Radio 2NM. They outlined the proposal, the rate variation amount, answered some frequently asked questions, had concept drawings of the prioritised projects, and explained how to provide feedback. Community Listening Posts were publicised through local radio announcements and interviews with local journalists.



### Letters to ratepayers, community and sporting groups

This outlined the proposal, the rate variation, the projects it would be applied to, and how residents could provide feedback. There were limited written responses (directed to the General Manager), but good rates of awareness of the letter were recorded (this was one of the questions in the telephone and on-line survey).

### Newsletter for residents

Council's December newsletter was distributed to all households in the Shire by Australia Post's unaddressed delivery service and detailed the proposed rate increase and projects and priorities to be funded by an approved variation.

### Social Media (Facebook posts and videos)

Council utilised Facebook to grow awareness of the proposal through a series of posts and video content, which was shared on community Facebook pages. These pages have a large proportion of the Shire's residents as followers.

### FAQ Document

Council prepared and made available at each of its physical sites and on its website, a document of Frequently Asked Questions.

### Stakeholder meetings

A number of meetings with stakeholders were held over the last half of 2017 to gauge support within specific interest groups for the proposed rate increase.

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Details of the specific consultation materials, responses and feedback received from each component of the consultation processes are included in Council's response to part 4.2 of this application and Attachment 5.

## 4.2 Feedback from the community consultations

Summarise the outcomes and feedback from the council's community engagement activities. Outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council's special variation intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

### Supporting attachment:

- Attachment 5: Muswellbrook Shire Council SV Proposal 2018/19: Community Consultation and Engagement Report

In addition to its regular program of community consultation activities, Council also undertook specific community engagement and consultation relating to the proposed SV, the projects proposed for funding, the financial impact on ratepayers in each category of rates. Together with a concerted media (traditional and online) and information sharing campaign, this specific program of community engagement built substantial awareness across the community of the proposal, its financial impacts and its associated opportunities and risks.

Following is a summary of results of the SV proposal related community engagement activities, with detailed results available in Attachment 5.

## 5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

*The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:*

- *clearly show the impact of any rises upon the community*
- *include the council's consideration of the community's capacity and willingness to pay rates, and*
- *establish that the proposed rate increases are affordable having regard to the community's capacity to pay.*

The impact of the council's proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the proposed special variation. We also review how the council has assessed whether that the proposed rate rises are affordable having regard to the community's capacity and willingness to pay.

### 5.1 Impact on rates

Much of the quantitative information we need on the impact of the proposed special variation on rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this may differ from the current rating structure, or that which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, and how this was communicated to the community. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes in the rating structure.

Council's current rating structure consists of the levying of rates and charges (paid to the General Fund), water and sewer charges, and the domestic waste charge.

General Fund rates consist of a base amount, charged on each property within the rating categories (residential, business, farmland, mining), in addition to a rate levy based on the land valuation of the property. The base amount and this ad valorem rate varies between the categories.

Should this application for a variation be approved, a one-off 12.3% increase will be applied to the residential, business and farmland categories of ratepayer and a one-off 18.3% increase will be applied to the mining category. Both increases are proposed to be retained permanently in the rate base.

Council has modelled the impact of the proposed variation on rates; these impacts are outlined in Part A - Impact on Rates, Worksheet 5b, and have been calculated against scenarios with and without the variation.

Council's assessment of rate revenue from mines in the Shire will be re-assessed in line with the NSW Valuer General's new policy on Valuation of Land Used for Coal Mining which consolidates previous separate mining leases into one that embodies all the land controlled by a business for mining purposes. The modelling has been completed on the basis that Council will not make any significant changes to its rating structure over the period covered in the application.

### 5.1.1 Minimum Rates

The proposed special variation may affect ordinary rates, special rates and/or minimum rates.

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application.

Does the council have minimum Ordinary rates?                      Yes                       No

If Yes, does the council propose to increase minimum Ordinary rates by:

- The rate peg percentage
- The special variation percentage
- Another amount  Indicate this amount \_\_\_\_\_

What will minimum Ordinary rates be after the proposed increase? \_\_\_\_\_

The council must explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories that will occur as a result.

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

Not applicable.

## 5.2 Consideration of affordability and the community's capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community's capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council's hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

### Affordability and the community's capacity to pay

Muswellbrook Shire average residential rates are among the lowest of Hunter Councils and Group 11 Councils (of which Muswellbrook is one). All categories of rates (with the exception of the Farmland category) are below the average of both Group 11 and Hunter Councils. Table 3.1 provides a comparison to other Councils for 2015/16 (the most up-to-date comparative data available from the Office of Local Government, noting that data was not available for merged councils in this data set).

	Residential (\$)	Farmland (\$)	Business (\$)	Mining (\$)
Average Group 11	764.03	3,187.73	2,048.39	94,838.00
Average Hunter	943.20	2,322.15	3,543.83	74,350.00
Muswellbrook Shire Council	722.43	2,765.18	1,859.22	68,241.94

**Table 3.1: Average rates for all categories for 2015/16.**

(Source: <https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website>)



Council has had relatively low outstanding residential rates compared to other Group 11 Councils.

Muswellbrook Shire has the second highest average taxable income per person of local government areas in the Hunter Region and the highest among Group 11 councils. Residents of Muswellbrook Shire enjoy access to higher levels of discretionary income.

ABS data records the Shire's median wage (excluding government pensions and allowances) at \$51,184. There is a high wage and salary component, from which is deducted significant taxes. Property income is significant and there is a reasonable growth in household wealth despite high indebtedness. The unemployment rate is moderate sitting at 6.1% with a high labour market participation rate.

The population demonstrates moderate levels of socio-economic disadvantage compared to the State Average when measured against the Socio-Economic Indexes for Areas Index of Relative Socio-economic Disadvantage.

### **Willingness to Pay**

The telephone survey undertaken for the purposes of the application indicated there is 41% support among the community for the proposed increase. Confidence in these figures is high and based on the methodology used and reputation of Jetty Research, which undertook the telephone survey and the high level (79%) of awareness within the community of the proposals. Council is confident that there are sufficient levels of willingness in the community to justify the increase.



### 5.3 Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise to address issues of hardship.

Does the council have a Hardship Policy?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

#### Supporting attachments:

- Attachment 6: Hardship Policy – Rates and Charges

Muswellbrook Shire Council's Hardship Policy – Rates and Charges is attached to this application.

Council has a long history of supporting residents who experience financial hardship, including those who may have a reduced capacity to pay their Council rates. This policy setting will continue and be extended to any approved change in the rating structure.

Council has had a policy in place to assess and consider applications of individual cases of financial hardship for many years. While Council does not expect that the proposed rate increase will result in a significant number of applications, those that are received will be considered against the criteria of the policy.

As at the date of this application, Council has six (6) ratepayers approved for assistance with financial hardship. The main beneficiaries of financial hardship assistance are the elderly, young families and retrenched workers.

Currently Council can provide assistance to its residents by offering:

- A cap or stop on interest charges;
- A stop on any debt recovery processes;
- Pensioner rebates (in collaboration with the State government);
- Direct debit options;
- The ability to pay by instalments.

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Generally, the policy aims to provide assistance where possible, in accordance with the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*, to those ratepayers who are experiencing genuine financial difficulties in paying their rates and charges.

Council also has the power to approve assistance in exceptional circumstances beyond the standards set in the policy document on a case by case basis.

## 6 Assessment criterion 4: Public exhibition of relevant IP&R documents

Criterion 4 in the Guidelines is:

*The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.*

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.<sup>3</sup>

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.<sup>4</sup> However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

The NSW Government introduced the Integrated Planning and Reporting (I&R) framework with the purpose of encouraging and assisting councils to better communicate and consult with their communities to reflect their vision. It was also the first stage in promoting improved financial management practices, particularly by increasing the focus on the longer term rather than just the next budget cycle (TCorp 2013 report).

### Public Exhibition of relevant IP&R documents

Following the election of the new Council in mid-September 2016, work commenced with the new and re-elected Councillors on a comprehensive review of the Community Strategic Plan (CSP) and preparation of the Delivery Program for the forthcoming four year term of the Council.

Council staff embarked on the process some twelve months beforehand, drafting and finalising for approval the Community Engagement Strategy, undertaking studies of community views to establish baseline data of how the community felt Council had performed. Council also commenced a process of extensive community consultation, which served a number of purposes (conscious of 'consultation fatigue') and was focused on the strategic direction community members and other key stakeholders saw that it would be necessary for Council to take to achieve their collective vision for the Shire ten years hence.

<sup>3</sup> The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

<sup>4</sup> Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

The feedback, suggestions and vision provided by the community was consolidated and reported to Councillors for their consideration as part of their planning for the strategic direction of the Council for the four year term at a Strategic Planning Session held over 19-20 November 2016. That session considered the vision of the community and settled on a number of key strategies, which informed the finalising of the draft CSP and Delivery Program for public consultation. The draft CSP and Delivery Program were placed on public exhibition for 34 days and well publicised in traditional and social media, together with two specific community forums.

Submissions were received and minor amendments made to the draft documents prior to reporting to Council for adoption on 7 February 2017.

Councillors participated in a residential strategic planning workshop in July 2017, to review and re-prioritise strategic projects. At that workshop the project proposals and SV funding options were agreed to and proposed for community consultation.

Following is a comprehensive timeline of formal Council decisions with respect to the IP&R framework documents. These decisions come from Ordinary Council meetings, Extraordinary Council meetings and delegated Sunset Committees. It is noted that Council's Integrated Planning Sunset Committee was delegated to deal with the endorsement of some of these documents (CSP and the DP) for public exhibition.

**[July 2016] COMMUNITY STRATEGIC PLAN 2016 - BASELINE DATA COLLECTION SURVEY**

A random and representative telephone survey of 502 Muswellbrook Shire residents undertaken by Jetty Research to understand resident perceptions of Council and community wellbeing

**[11 October 2016] 10.8 DRAFT MUSWELLBROOK TOWN CENTRE STRATEGY**

100 RESOLVED on the motion of Crs McNeill and Scholes that:

1. The Draft Muswellbrook Town Centre Strategy be exhibited for a minimum period of 28 days.
2. A report be submitted to Council following public exhibition.

**[11 October 2016] 12.3 COMMUNITY ENGAGEMENT STRATEGY**

105 RESOLVED on the motion of Crs Ledlin and McNeill that:

Council endorse the proposed Community Engagement Strategy subject to the document being amended concerning the incorporate of communication via social media.

**[8 November 2016] 10.4 DRAFT DENMAN TOWN CENTRE CONCEPT MASTER PLAN**

135 RESOLVED on the motion of Crs Scholes and Bailey that:

The Draft Denman Town Centre Concept Master Plan be adopted subject to the following amendments:

1. The area presently identified on the southern side of Ogilvie Street extending over land not owned by Council be re-identified on the plan as an area that should be reviewed as part of the DCP Review to include local area provisions that deal with the;

a) Presentation of the rear of the dwellings to the proposed public car park and such other matters as may be recommended in the review; and

b) Integration of private parking with the public parking.

2. Amend final plan date to 'November 2016'.

**[21 December 2016] 6.4 MUSWELLBROOK TOWN CENTRE STRATEGY**

187 RESOLVED on the motion of Crs Woodruff and Reynolds that:

1. The endorsement of the Draft Muswellbrook Town Centre Strategy be deferred to the Ordinary Council Meeting to be held in February, 2017 to allow further consideration of submission that have been received.

2. The proposed changes to local planning instruments recommended in the Strategy be considered into current LEP and DCP review process to proceed.

3. The actions identified in Muswellbrook Town Centre Strategy be considered in preparing Council's Integrated Planning & Reporting Framework, in particularly Delivery Plan and Operational Plan.

**[22 December 2016] 5.1 COMMUNITY STRATEGIC PLAN 2017-2027**

RECOMMENDED on the motion of Crs Rush and Bailey that:

The Community Strategic Plan be endorsed to be placed on public exhibition from 22 December 2016 to 24 January 2017.

**[22 December 2016] 5.2 DRAFT DELIVERY PROGRAM**

RECOMMENDED on the motion of Crs Rush and Bailey that:

The Draft Delivery Program Plan be endorsed to be placed on public exhibition from 22 December 2016 to 24 January 2017.

**[7 February 2017] 6.1 & 6.2 DRAFT COMMUNITY STRATEGIC PLAN AND DELIVERY PROGRAM & Special Variation**

198 RESOLVED on the motion of Crs Rush and McNeill that:

Item 6.1 & 6.2 be considered together.

200 RESOLVED on the motion of Crs Bailey and Scholes that:

1. The Draft Community Strategic Plan be endorsed;

2. The Draft Delivery Program be endorsed;

3. Councils Long Term Financial Plan be endorsed; and
4. Council apply to IPART for a permanent rate increase of 10% over four years for the purpose set out in the IPRF Document.

In Favour: Crs S. Bailey, J. Eades, J. Foy, M. Green, J. Ledlin, G. McNeill, M. Rush, R. Scholes and B. Woodruff.

Against: Crs M. Bowditch, S. Reynolds and S. Ward.

**[28 June 2017] 6.1 ADOPTION OF THE 2017/2018 OPERATIONAL PLAN AND BUDGET**

348 RESOLVED on the motion of Crs Rush and Woodruff that:

Council ADOPT the following Integrated Planning Documents:

1. The Draft 2017/2018 Operational Plan
2. The Revenue Policy incorporating the changes as outlined in this report and attachments; and,
3. The Draft 2017/2018 Operating and Capital Budgets incorporating the changes to the Draft Revenue Policy as outlined in this report and attachments as further amended by the inclusion of an additional \$50,000 for maintenance and corresponding amount in capital contingency.

**[25 October 2017] 7.1 STORMWATER DRAINAGE MANAGEMENT**

102 RESOLVED on the motion of Crs Scholes and Ward that:

1. Council Endorse the methodology for prioritising the stormwater drainage projects; and
2. A further report be prepared developing a program of works based on these criteria that could potentially be funded.

**[25 October 2017] 8.1 SPECIAL RATE VARIATION APPLICATION**

106 RESOLVED on the motion of Crs Rush and Bailey that:

1. Council endorse the making of an application to the Independent Pricing and Regulatory Tribunal for a one-off Special Rate Variation increase of 14.9% (including 2.5% rate peg) for 2018/19, which amounts to approximately \$1,918,266 and remains permanently in the rate base, made up as follows:
  - (a) Residential, Business and Farmland rating revenue increase by 12.5% (including 2.5% rate peg) in 2018/19 which amounts to approximately \$956,055; and
  - (b) Mining rating revenue increase by 18.5% (including 2.5% rate peg) in 2018/19 which amounts to approximately \$962,211.

2. Council commence a consultation process with the community to seek the additional rating increase.

3. That the funds raised from this Special Rate Variation proposal are to be dedicated to the proposed drainage, parks and roads program; Olympic Park Master Plan projects; Entertainment Centre Project; jobs creation package; and to offset a shortfall in rating revenues arising from a change in NSW Government policy with respect to biodiversity offsets.

4. That the General Manager be authorised to provide the Independent Pricing and Regulatory Tribunal with Council's formal expression of intention to make application for a Special Rate Variation

**[25 October 2017] 10.1 SPECIAL RATE VARIATION PROJECT - ENTERTAINMENT CENTRE**

104 RESOLVED on the motion of Crs Foy and Bailey that:

1. Council endorse the proposed Entertainment Centre as project for funding under a Special Rate Variation application to the Independent Pricing and Regulatory Tribunal.

2. Council adjust the Long Term Financial Plan to include the budget for the construction of the Entertainment Centre in line with the preliminary business case and CAPEX review.

3. Council exhibit Stage 1 of the Entertainment Centre Concept Plan for a minimum period of 28 days;

4. Following public exhibition a report be submitted to Council; and

5. A Capital Expenditure Review be completed for the project.

**[25 October 2017] 10.2 SPECIAL RATE VARIATION PROJECT - OLYMPIC PARK**

Disclosure of Interest

Cr M. Green declared a pecuniary interest in this item. Cr Green advised Council that her husband's business could be engaged in future landcare works. At 06:12 PM Cr Michelle Green left the Council Chambers and therefore took no part in discussion or voting on this item.

Cr S. Reynolds declared an insignificant non-pecuniary interest in this item. Cr Reynolds advised Council that he is currently on the executive of the Group 21 a user of the facility. At 06:12 PM Cr Steven Reynolds left the Council Chambers and therefore took no part in discussion or voting on this item.

105 RESOLVED on the motion of Crs Eades and Green that:

1. Council endorse the proposed Olympic Park Master Plan as project for funding under a Special Variation application to the Independent Pricing and Regulatory Tribunal.

2. Council adjust the Long Term Financial Plan to include the budget for the construction of the Olympic Park Master Plan in line with the preliminary business case and CAPEX review.
3. Council exhibit Stage 1 of the Olympic Park master plan for a minimum period of 28 days;
4. Following public exhibition a report be submitted to Council; and
5. A Capital Expenditure Review be completed for the project.

**[31 January 2018] 7.1 REVISED LONG TERM FINANCIAL PLAN**

172 RESOLVED on the motion of Crs Scholes and Woodruff that:

Council adopt the 2018-19 to 2027-28 Long Term Financial Plan.

**[9 August 2017] 11.1 ADOPTION OF ASSET MANAGEMENT POLICY**

37 RESOLVED on the motion of Crs Scholes and Ward that:

1. Council adopt the Asset Management Policy - A40/1, including the following amendment to Paragraph 2 under Responsibility:

The General Manager has responsibility for preparation of Integrated Planning and Reporting framework documentation in consultation with the mayor and governing body (councillors), and for its implementation after council adopts the IP & R documents.

2. A report be prepared on the request to add the 1.15km section of Rouchel Gap Road to Council's maintenance responsibility.



## 7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

*The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, you must provide details of any productivity improvements and cost containment strategies that you have implemented during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

These strategies, which may be capital or operational in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Please include below whether the proposed initiatives (ie, cost savings) have been factored into the council's Long Term Financial Plan.

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

### **The last two years of productivity improvements in context**

The last two years of financial improvements must be seen within the context of the substantial improvement program between 2009/10 and 2015/16.

In 2009, Council embarked upon a fundamental review of its services with a view to substantially improving its financial position and, particularly, the general fund revenue available to fund the renewal of infrastructure, new and upgraded assets, and to build capacity and efficiency within Council's operations. The first graph depicts the general fund operating result (as budgeted) since 2007/08 (adjusted so as to keep the methodological assessment of depreciation common over time). The second figure depicts general fund revenues available to fund the renewal of infrastructure and to build capacity and efficiency within Council's operations.

### **Improvements during the last few years**

Over the last two financial years, Council has achieved around **\$400,000** of further annual efficiencies as a result of a broad cross-section of operational improvements.

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The largest of these was an organisation wide review of the employment structure conducted in 2015/16 and 2016/17 which reduced the staffing by three net positions (the removal of seven positions and the creation of four new positions). Importantly, all the new positions are tasked with various aspects of improving organisational performance. These include sustainability positions to reduce the use of energy by Council and positions related to business efficiency improvement and internal audit. The approximate savings are around \$250,000 per annum.

Additionally, Council has realised around \$50,000 of annual savings in the use of energy by the installation of energy efficiency measures – the installation of LEDs, solar PV, solar pumping, and the timing of energy use from peak to off-peak periods.

In line with its *Fit for the Future* submission, Council has continued with its review of its business units including Planning and Regulatory Services (with a modest increase in regulatory fees and a slight reduction in development planning expense allowances) and a review of its use of parks and recreation facilities – with one park converted from community land to operational land through the statutory community consultation process for the purpose of re-developing the park for the provision of affordable and graduating aged care.

### **Improvements arising from the use of Shared Services**

Council works collaboratively with both our near neighbours and with other councils within the Region across a range of shared functions from economic development and service provision to the promotion of cultural activities.

As part of the Joint Hunter Councils, Council benefits from access to specialised low cost records storage, legal services and training opportunities. It also ensures that the General Manager and the Mayor have a regular platform to advance the needs of the Shire and find opportunities for collaborative projects with other councils. Through the establishment by Hunter Councils of Local Government Legal, a little more than two years ago, Council has reduced the cost of its hourly legal services from approximately \$330 an hour to \$180 an hour.

Council is part of the Upper Hunter Local Water Utilities Alliance (UHLWUA, formed in June 2009) along with Singleton and Upper Hunter Shire Councils. The collaborative arrangements between the three councils has led to a reduction in research and monitoring expenses as well as improved the quality of the services offered. In 2016, Council became the first rural Council in NSW to sign off on the State Government's best practice requirements permitting Council to account for a dividend to the General Fund from the water utility business.

Other new shared arrangements include a coordination of the contract period for domestic waste collection, the sharing of an illegal dumping officer and a shared road safety officer.

### **Further improvements**

Council continues to maintain a strong commitment to financial discipline and continual improvement.

## 8 List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications (eg, extracts from the Community Strategic Plan).

Other attachments will be required from some, but not all, councils. For example, extracts from the Asset Management Plan would be required from a council seeking approval of a special variation to fund infrastructure.

Councils should submit their application forms and attachments online through the Council Portal in the following order. Councils may number the attachments as they see fit.

Item	Included?
<b>Mandatory forms and Attachments</b>	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
NSW Treasury Corporation report on financial sustainability	<input checked="" type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Resolution to apply for the proposed special variation	<input checked="" type="checkbox"/>
Certification (see Section 9)	<input checked="" type="checkbox"/>
<b>Other Attachments</b>	
Relevant extracts from the Asset Management Plan	<input type="checkbox"/>
Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	<input type="checkbox"/>
Other (Schedule of stormwater drainage works, Project list, Community Engagement Strategy, Jetty Research Capacity Statement)	<input checked="" type="checkbox"/>

## 9 Certification

### APPLICATION FOR A SPECIAL VARIATION

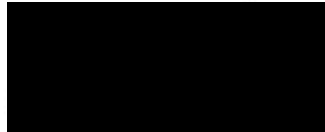
To be completed by General Manager and Responsible Accounting Officer

Name of council: Muswellbrook Shire Council

We certify that to the best of our knowledge the information provided in this application is correct and complete.

General Manager (Stephen McDonald)

Signature and Date:



12 February 2018

Responsible Accounting Officer (Natalia Cowley)

Signature and Date:



12 February 2018

Once completed, please scan the signed certification and attach it as a public supporting document online via the Council Portal on IPART's website.