

Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2018-19

Insert Name of Council: Upper Hunter Shire Council

Date Submitted to IPART:

Council Contact Person: Melinda Curtis

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The Independent Pricing and Regulatory Tribunal (IPART)

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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:

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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.

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 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.

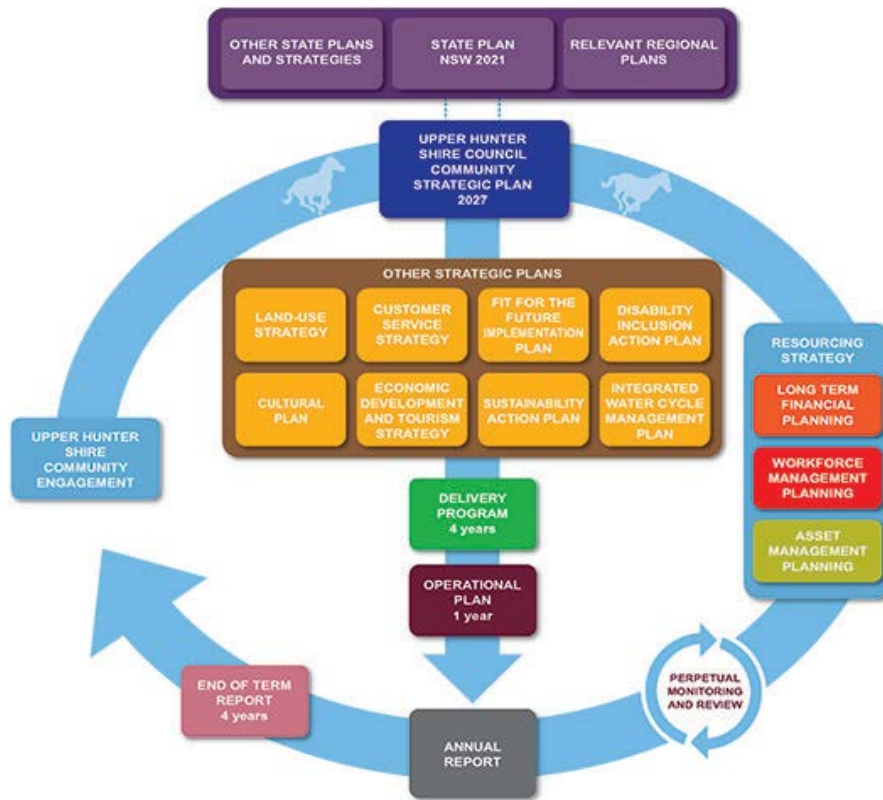
2 Preliminaries

2.1 Focus on Integrated Planning and Reporting

Since early 2016, Upper Hunter Shire Council committed to a focus on the improvement of their Integrated Planning and Reporting Framework and associated documentation. The new approach was to ensure that all documentation would be Community friendly, easy to read and reflected the Community priorities. In addition to this, changes were made to ensure the way the documents worked together was understood by Councillors, staff, Community and stakeholders.

Council's Integrated Planning and Reporting Framework and colour coded IP&R documents reflects the detailed consultation carried out at 3 Councillor Workshops and staff workshops with the intention of improving Council's documentation.

Upper Hunter Shire Council - Integrated Planning and Reporting Framework



Upper Hunter Shire Council - Integrated Planning and Reporting - Colour Codes



There is a direct link between the IP&R framework and the documents with the use of the colour codes above.

An additional change was the development 11 Upper Hunter Shire Community priorities (including a Fit for the Future priority). These were developed during extensive Community Engagement, including speaking face to face with over 1000 Community members (more

detail is provided in Section 4 of this application and the Attachment: Community Strategic Plan (CSP) 2027 - Part 2 and Part 3). Council and the Community can see how we are working to achieve each of the Community Priorities, as they link directly to Council's Key Focus Areas, Goals and Strategic Directions. They also link directly into Council's Delivery Program, Operational Plan and staff performance plans. Refer to Attachment: Delivery Program 2017/2018-2020/2021 Part 4.5 which shows linkages between the Community Priorities and Activity Budgets.

Upper Hunter Shire 11 Community Priorities



The Community Strategic Plan 2027 reflects that the Community would like the rural lifestyle and country feel protected for the future. However, they would also like improved and revitalised towns centres to encourage more business, tourism and improved economy. They would like improved and additional facilities for families, including sporting, family facilities, playgrounds, public toilets, BBQ's, BMX tracks and skate parks. They would also like improved and well maintained roads. The Community in general was vocal about wanting more business and career opportunities for their children, so they do not leave the shire as they get older.

Council's Community Strategic Plan 2027, Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018 was adopted by Council at the Ordinary Meeting 26 June 2017. The CSP 2027, Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018 was endorsed as a draft for exhibition at the Ordinary meeting on the 24 April 2017 for 28 days commencing 27 April 2017.

Council's Delivery Program reflects that additional funding needs to be sourced to achieve the Community priorities and additional projects the Community has requested (See Attachment: Delivery Program 2017/2018-2020/2021, Part 4.4).

In addition, Council identified that further refinement of the IP&R and Community engagement was necessary to see if the Community was supportive of a funding option through a potential Special Rate Variation. The focus of the discussion was asking the Community if they were supportive of a Special Rate Variation to carry out specific projects related to Town Revitalisation in scone, Merriwa, Murrurundi and Scone, Community and Family facilities enhancement and Road improvements. These areas link directly to the priorities raised by the Community during the development of the CSP 2027 and Delivery Program 2017/2018-2020/2021.

At the Ordinary meeting of the 29 January 2018, Council resolved to endorse Council's revised Resourcing Strategy – Long Term Financial Plan, Workforce Management Plan and Asset Management Strategy. These revised plans identify the need for a proposed special variation and the associated resourcing if obtained.

Council's IP&R framework is explained in detail in section 6 of this application.

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	X
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	X
Reduce infrastructure backlogs	X
New infrastructure investment	X
Other (specify)	<input type="checkbox"/>

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.

2.2 Key Purpose of Special Variation

Purpose

The key purpose of the Special Rate Variation is to fund specific projects related to revitalised town centres, increased and enhanced Community and family facilities and improved roads. So that these projects can be completed in the near future to meet the Community priorities identified in the Community Strategic Plan (CSP) 2027 Community Engagement.

Process undertaken in reaching a decision to make an application

Council undertook extensive Community Engagement during the preparation of the CSP 2027, Delivery Program 2017/2018-2020/2021 and the Operational Plan 2017/2018. Council is confident that these documents represent the Community Priorities of the Upper Hunter Shire.

The Community Engagement for the CSP 2027 established that the Community wants to maintain the rural/country feel but would like increased and enhanced roads, Community facilities and revitalised town centres.

To build on the CSP Community Engagement and Community priorities identified, the Project Brief for the Potential Preparation for an Application for a Special Rate Variation (SRV) 2018/2019 was finalised in August 2017 and the project underway. The Project Brief is included as an Attachment to this application.

This project focused on the investigation into a potential preparation of an Application for a Special Rate Variation 2018/2019. The next round of Community Engagement as part of the SRV project needed to assess the Community need/desire for particular service levels/projects and if a potential SRV was the preferred option for funding.

The key stages and tasks completed as part of the Project included:

Milestone 1: Initial Program Research, Review and Planning

Tasks include:

- To investigate the potential request to IPART for a Special Rate Variation (SRV); and
- Identify process required;

Milestone 2: Initial Assessment Criteria Identification and Achievement

Tasks include:

- Identify criteria against which IPART is to assess SRV application;
- Develop Councillor information and undertake workshop;
- To request Council endorse the process to pursue a potential SRV in 2018/2019 and to engage with the Community (Council Meeting September 2017);
- Complete and request Council endorse Community Engagement Strategy – Special Rate Variation (Council Meeting September 2017);

- Identify additional tasks required, including potential review of the Delivery Program.
- Complete the following tasks to achieve the initial assessment criteria, to allow Council to pursue a SRV in 2018/2019, as follows:
 - Finalise Long Term Financial Plan;
 - Finalise Workforce Plan;
 - Finalise Asset Management Plan's;
 - Develop a Community Engagement Strategy – Special Rate Variation.

Milestone 3: Community Engagement Strategy Special Rate Variation (SRV) – Development and Implementation

Tasks include:

- Develop Baseline and Special Variation Scenario's and a SRV Project List and request endorsement by Council for use in the Community Engagement (Council Meeting October 2017)
- Implement Community Engagement Strategy SRV 2018/2019; and
- Analyse Community data and prepare Summary Council Report outlining the Community's willingness or otherwise to pay increased rates and the need/desire for particular service levels/projects.

Milestone 4: Preparation of an Application for a Special Rate Variation (SRV) to General Income for 2018/2019

Tasks include:

- Council Report requesting endorsement or confirmation not to submit an Application to IPART for an Application for a Special Variation to General Income for 2018/2019 (Council Meeting January 2018); and
- Endorsed by Council - Preparation of Council SRV 2018/2019 Application

On the 25 September 2017 Ordinary Council Meeting, RESOLVED that Council:

1. Endorse the process to pursue a potential Special Rate Variation (SRV) and commencement of Community Engagement on a Potential SRV in 2018/2019.
2. Endorse the Community Engagement Strategy Proposed Special Rate Variation (SRV) 2018/2019.

On the 30 October 2017 Ordinary Council Meeting, RESOLVED that Council:

1. Endorse the following Special Rate Variation (SRV) scenario's as listed below for Community Engagement:
 - Option 1 Apply for a loan facility of \$8 million to fund part of Town Revitalisation projects to be repaid by a SRV at 2.1% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging.
 - Option 2 Apply for a loan facility of \$10 million to fund all of town Revitalisation Projects to be repaid by a SRV at 2.6% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging.
 - Option 3 Apply for a loan facility of \$12 million to fund all of Town Revitalisation and other Community Projects to be repaid by a

- SRV at 3% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging.
- Option 4 Apply for a loan facility of \$15 million to fund all of Town Revitalisation, Community projects and major road upgrades (\$3.0 mill) to be repaid by a SRV at 4% plus rate pegging with a low farmland SRV increase of 1.25% plus rate pegging.
- Option 5 That Council not implement a Special Rate Variation.
- Option 5 That Council not implement a Special rate Variation

2. Endorse Special Rate Variation (SRV) Potential Projects List for Community Engagement.

On the 29 January 2018 Council Ordinary Meeting, RESOLVED that Council:

1. Endorse an application to the Independent Pricing & Regulatory Tribunal (IPART) for a Special Rate Variation (SRV).
2. Make the application under section 508A which will be a permanent increase to its general income and that the permanent SRV be 6.30% in 2018/19, 6.30% in 2019/20 and 6.30% in 2020/21 (inclusive of Rate Peg).
3. Apply for a loan facility of \$15 million if SRV is approved to fund all of Town Revitalisation, Community projects and major road upgrades to be repaid over 15 years by the SRV.

Council made the decision above based on the following information.

During the Community Engagement for the CSP 2027 it was established that the Community wants to maintain the rural/country feel but would like increased and enhanced roads, Community facilities and revitalised town centres.

This was taken a step further and SRV Community Engagement was focused on whether the Community has the capacity and willingness to pay increased rates as part of a Special Rate Variation and to assess the Community's need/desire for particular service levels/projects. The Community were asked if they wanted Council to pursue a Special Rate Variation to fund specific projects related to town centre revitalisation, Community and family facilities and roads projects within a quicker timeframe.

The potential projects list and the Financial Scenario's (endorsed by Council 30 October 2017) were the basis of the Community Engagement. These are Attached to this application in the SRV Community Engagement Information, which includes Community Engagement Strategy SRV, Special Rate Variation – Potential Projects List, Have Your Say Resident Brochure and the SRV Survey.

The lower farmland SRV in all scenarios reflects that all options have a larger number of projects in the Town Centres, as compared to Shire wide.

Council implemented the SRV Community Engagement Strategy (endorsed by Council 25 September 2017). The following actions were completed:

- Council Website – SRV;
- Engagement Material developed;
- Media – press releases, Advertisements, Council Newsletter and Radio;

- Communication with SRV stakeholders;
- Displays/Exhibits/Engagement Material;
- Interactive pdf on Website
- Feedback/submission forms at Customer Service and pop-up stalls;
- Councillor Workshops;
- Committee liaison;
- 5 Community Pop-ups; and
- Community handout distributed to all households.

An amendment was made to the Community Engagement Strategy SRV actions during implementation, an additional action was incorporated and 5 pop-ups were carried out instead of the planned 6. A Have Your Say Resident Brochure was distributed to every household in the Upper Hunter Shire during the week of the 4 December 2017. This was to add an additional opportunity to encourage the community to submit comments or a survey or to find out what the actual increase would be on their rates.

A significant effort was made to obtain feedback from the Community via a survey or other means, this included 5 Community Pop-up stalls throughout the Shire at the following locations:

- Merriwa Touch Football, Wednesday 29 November;
- Murrurundi Touch football, Thursday 30 November;
- Christmas in the Park Scone, Saturday 2 December;
- Victoria Hotel, Moonan Flat; Thursday 7 December;
- Aberdeen Sports and Recreation Club, Saturday 9 December

Community Engagement Results

Community feedback was received by a general submission or through the completion of a survey. The following is a summary of the results. These are included as an Attachment, SRV Council Report 29 January 2018. In some cases residents talked generally about the Shire or their property and this was not related to an SRV. In this case they were recorded as comments only. In a few cases residents answered yes and no and these were recorded in that format.

Merriwa Pop-up

Total Community Responses – 23

Yes – 17

No - 1

Comments only – 5

Yes and No- 0

Improvements to Sporting facilities and family/Community facilities, particularly playgrounds and bike tracks were valued highly.

Murrurundi Pop-up

Total Community Responses – 35

Yes – 15

No – 15

Comments Only – 3

Yes and No – 2

Sporting facility improvements were a high priority and bike track/family facilities. The Pages River Heritage Trail (part of the Revitalisation projects) was not seen as a priority for SRV, with a preference for sporting improvements and family facilities.

Scone Pop-up

Total Community Responses – 13

Yes – 11

No – 2

Comments Only – 0

Yes and No – 0

Supportive of current list.

Moonan Flat Pop-up

Total Community Responses – 5

Yes – 1

No – 0

Comments Only – 4

Yes and No – 0

Roads were the priority. An emphasis that safety on roads for families is the priority.

Aberdeen Pop-up

Total Community Responses – 21

Yes – 8

No – 13

Comments Only – 0

Yes and No – 0

Not supportive of the SRV or projects list.

Council Submissions received (Web, email and at Customer service - not including Pop-ups)

Total Community Responses – 29

Yes – 13

No – 15

Comments Only – 1

Yes and No – 0

Not supportive of the SRV or projects list.

Overall Community Engagement SRV Results

Total Community Responses – 126

Yes – 65

No – 46

It was not ideal that the total number of submissions is only 126. It would be preferable to base a decision on whether Council should submit an application to IPART on a larger sample size.

The effort made to engage with the Community is not reflected in the number of submissions received. The potential SRV information was communicated widely and there was a 10 week timeframe for Community members to submit feedback.

Council did however, speak face to face with over 1000 people during the CSP 2027 Community Engagement, which initiated this process. As it was established that the Community wants to maintain the rural/country feel but would like increased and enhanced roads, Community facilities and revitalised town centres.

Due to a combination of the CSP 2027 Engagement and the majority of yes submissions at 65, the Council endorsed an application to IPART for a SRV in 2018/2019.

A large number of the yes submissions, focused on the importance of the Family and Community Facilities projects and the Roads projects. These are all only included in the Scenario above. There was a view put forward by a significant number of yes submissions that a higher priority should be given to the Family and Community Facilities projects, including sporting facilities and major Roads projects. The River Trail Constructions in the Revitalisation projects were not seen as a priority for SRV, with bike tracks, play grounds and sporting facility improvements seen as high priorities. There was a strong emphasis however that this funding should still be allocated to the specific town but to different priorities.

In rural areas road improvements to ensure safety for family was seen as the priority. The low farmland SRV reflects that all options have a larger number of projects in the Town Centres, as compared to Shire wide.

If Council is successful in obtaining an SRV, further community engagement would be carried out to finalise the SRV Projects List to ensure the Communities priorities for each Town Center and the Shire are reflected.

The Upper Hunter Shire Council Community Satisfaction Research, Micromex Research, January 2018, incorporated one a question related to a potential Rate Increase. The question was as follows:

We are looking to understand how the community would feel about paying higher rates for specific projects that will improve our towns, roads and community and family facilities. Thinking about your household, which of the following statements best applies

The results were as follows:

No more than we currently pay – 56%

About \$1 a week extra, About \$2 a week extra, About \$3 a week extra – 44%

This is reflective of discussions with the Community at the SRV Pop-up stalls. If the question was asked without explaining that a potential SRV would be used for specific projects related to town revitalisation, family and community facility enhancements and road improvements, then in the majority of cases there was an automatic no to a potential SRV application.

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.

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 type="checkbox"/>	No <input checked="" type="checkbox"/>
If Yes, has a review been done and submitted to OLG?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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.

3 Assessment Criterion 1: Need for the variation

3.1 Case for special variation – community need

Council undertook extensive Community Engagement during the development of the CSP 2027. Council engaged with over 1000 members of the Community face-to-face. This is 7% of our overall population of 14,112. There was also additional engagement through a variety of methods (detailed in Part 2 Community Strategic Plan 2027 and Part 4 of this application). The key message raised during the engagement was that the Community wanted the rural, beautiful environment and country lifestyle protected and valued but with improved roads, facilities, services and economy.

There was a real concern that there were limited business and career opportunities for their children and they wanted this changed to ensure their children were not forced to leave the Shire to obtain these opportunities. The key themes raised were improved roads, more and enhanced family facilities and town revitalisation to encourage tourism opportunities and business opportunities.

Council's Special Variation Project, was focused on obtaining feedback concerning the Community need for a SRV focused on specific projects addressing the concerns and priorities raised in the CSP 2027 engagement.

Upper Hunter Shire Council is a small rural Council with a limited revenue budget and limited options in regards to major infrastructure projects. The options examined to undertake these projects includes grant funding applications and loan borrowing facilities. Of those two options the more assured option is for loan borrowing facilities as grant funding application are indeterminable whether applications will be successful or not. Therefore loan borrowing facilities is the only assured option in order to undertake the major projects. Due to Council's limited revenue base the only way to repay these loan borrowings is through an revenue derived from an SRV.

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.

3.2 Financial sustainability

Council's Long Term Financial Plan (LTFP) provides a framework in which Council can assess its revenue building capacity to meet the activities and level of services outline in its CSP 2027. It also:

- Establishes a greater transparency and accountability of Council to the Community;
- Provides an opportunity for early identification of financial issues and any likely impacts in the longer term;
- Provides a mechanism to solve financial problems as a whole;
- Provides a means of measuring Council's success in implementing strategies; and
- Confirms that Council can remain financially sustainable longer term.

As detailed in the Long Term Financial Plan obtaining loan borrowings that will be repaid by the SRV, it is noted that Council's debt service ratio will still be within the local government bench mark criteria.

If the SRV is approved it may have an impact on possible increasing outstanding urban rates in the short term, however Council feels that this will be only minor and will return to normal levels over time.

The Town Revitalisation projects will improve the property values within the towns across the shire as it will drive an economic benefit to the Shire and "a place to be". The rates for rural lands, have the low percentage increase and will not be impacted.

In response to our Fit for the Future Improvement Proposal, June 2015, Council was deemed by IPART as a Fit for the Future Council.

Council has also had a report prepared by NSW Treasury Corporation on its Financial Assessment and Benchmarking in 2013. Council's performance has been deemed satisfactory (Please see Attachments for a copy of the report).

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).

3.3 Financial Indicators

The introduction of the proposed Special Rate Variation will improve Council’s key financial indicators over the life of Council’s current Long Term Financial Plan.

The table below gives a summary of the average forecasted results with and without the proposed Special Rate Variation:

Ratio	Average over 10 Years with Special Rate Variation	Average over next 10 Years without Special Rate Variation
Operating	6.18%	4.83%
Own Source Revenue	64.31%	63.41%
Debt service Cover	4.17x	6.01x
Asset Renewal	151.60%	127.29%

Based on the feedback obtained during the Community Engagement for the CSP 2027 and Delivery Program and Operational Plan it is clear that the community in general would not like to see a lowering in the standard of public infrastructure and would, in fact like to see deteriorated assets fixed. Asset Management Plans (which can be viewed on Council’s website, included in Part 6) have been reviewed and updated with a view to reducing the backlog rather than allowing it to grow.

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:¹

- ▼ 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).

N/A

¹ See Planning Circular 10-025 dated 24 November 2010 at 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.²

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.

² <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.

4.1 The consultation strategy

The Attachments for Part 4.1 are:

- **IP&R Community Engagement Information**, includes Community Engagement Strategy CSP 2027, Draft CSP 2027 – Have Your Say – Public Exhibition Brochure, Upper Hunter Shire Community Noticeboard education tool, CSP 2027 Polaroid education tool, CSP 2027 Have Your Say – Help Shape the Future Brochure, CSP 2027 Survey, CSP 2027 and Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018 Resident Mail Out, On Public Exhibition – Have Your Say – Significant Projects and Commitments Brochure and On Public Exhibition – Have Your Say – Proposed Budget Brochure.
- **SRV Community Engagement Information**, includes Community Engagement Strategy Proposed SRV 2018/2019, Special Rate Variation – Potential Projects List, Special Rate Variation – Potential Projects Infographic Map, Have Your Say – Potential Special Rate

Variation for 2018/2019 Brochure, Have Your Say – Resident Mail Out and Potential SRV Survey.

- **Media and Advertising IP&R and SRV**, includes Radio, Social Media – facebook, Newspaper, Media Release and Media Coverage for both IP&R and SRV.

- **Community Strategic Plan 2027**, Part 2 Creating Our CSP 2027, Community Engagement Strategy.

Details of Council's extensive Community Engagement during the development of the CSP 2027 and the Delivery Program are detailed and presented in the above attachments.

Council then went back out into the Community with the results of the CSP 2027 engagement and asked particular questions and sort specific feedback concerning a potential SRV.

Upper Hunter Shire Council committed to a new approach in engagement to specifically reach out to people in the shire who are less likely to participate in conventional methods of consultation or have been traditionally 'hard to reach'. Council has gone out into the Upper Hunter Shire with the aim of encouraging participation of all members of the local Community.

CSP and IP&R Community Engagement

Council undertook intensive Community Engagement as part of the preparation of the Community Strategic Plan 2027 to ensure that:

- Council builds a robust and sustainable Council and Community; and
- Services are aligned with the Community desires, needs and expectations.

Council engaged with over 1000 members of the Community face to face and additional Community members through phone survey, media and additional engagement methods.

A range of Engagement methods were used and they include:

- Community Research – telephone surveys;
- Infographics of Shire and main towns;
- Council Website;
- Media;
- Advertisements;
- Direct Communication with stakeholders;
- Displays/Exhibits at Council Customer Services;
- Community Survey Forms;
- Councillor Workshops;
- Staff CSP 2027 Presentations; and
- Community Engagement Pop-ups.

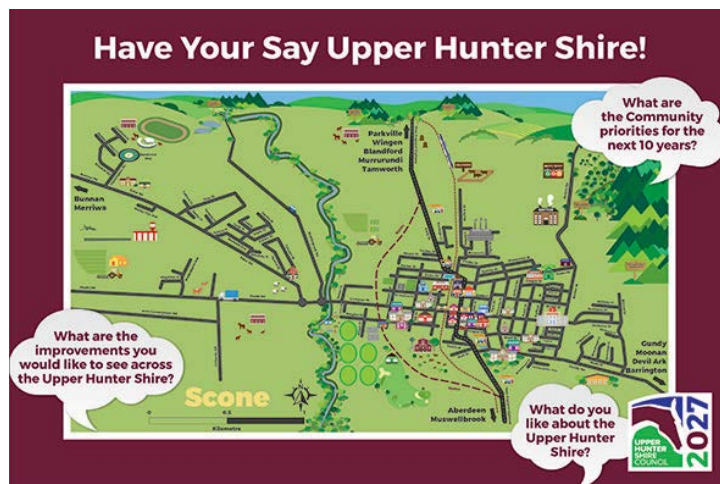
An engagement method that proved very popular was when Council went out into the Community using Infographics and Pop-up Engagements. The Community spoke openly about what they believe to be the main priorities and aspirations and how things can be improved in the Upper Hunter shire Council.

The Pop-up Engagements were held at:

- Murrurundi Touch Football;

- Upper Hunter Shire Youth Council;
- Scone Touch Football;
- Cassilis Community Christmas Party;
- Christmas in Park Scone Neighbourhood Resource Centre;
- The Royal Hotel (Merriwa);
- Story @ the Park, Wilson Memorial Oval Playground;
 - Aberdeen Football Club Girls Tackle, McKinnon Field;
- Cricket Day, hosted by Belltrees Cricket Club;
- Merriwa District Progress Association Meeting;
- Merriwa Touch Football;
- Scone Men's Shed;
- Scone Probus Women's; and
- Scone Probus Men's

The infographics were used to spark interest and encourage the Community to speak directly to Council. Examples of the Infographics are as follows:



Refer to the **IP&R** Community Engagement Information, which shows a variety of the Community Engagement Information used. The Survey was used at the pop-up stalls and was made available at all Council Customer Service Centres. The Community engagement Strategy, shows the timeline and opportunities to give opinion.

In addition to the above Community Engagement, when the CSP 2027 and Delivery Program and Operational Plan was on Public Exhibition, there were also 4 Public Meetings held throughout the Shire. A Resident Mail out was distributed to every household to advise of public exhibition and the public meetings.

SRV Community Engagement

This SRV Community Engagement was focused on whether the Community has the capacity and willingness to pay increased rates as part of a Special Rate Variation and to assess the Community's need/desire for particular service levels/projects. The Community were asked if they wanted Council to pursue a Special Rate Variation to fund specific projects related to town centre revitalisation, Community and family facilities and roads projects within a quicker timeframe.

The potential projects list and the Financial Scenario's (endorsed by Council 30 October 2017) were the basis of the Community Engagement. These are Attached to this application in the SRV Community Engagement Information, which includes Community Engagement Strategy SRV, Special Rate Variation – Potential Projects List, Have Your Say Resident Brochure and the SRV Survey.

The lower farmland SRV in all scenarios reflects that all options have a larger number of projects in the Town Centres, as compared to Shire wide.

Council implemented the SRV Community Engagement Strategy. The following actions were completed:

- Council Website – SRV;
- Engagement Material developed;
- Media – press releases, Advertisements, Council Newsletter and Radio;
- Communication with SRV stakeholders:
- Displays/Exhibits/Engagement Material;
- Interactive pdf on Website
- Feedback/submission forms at Customer Service and pop-up stalls;
- Councillor Workshops;
- Committee liaison;
- 5 Community Pop-ups; and
- Community handout distributed to all households.

An amendment was made to the Community Engagement Strategy SRV actions during implementation, an additional action was incorporated and 5 pop-ups were carried out instead of the planned 6. A Have Your Say Resident Brochure was distributed to every household in the Upper Hunter Shire during the week of the 4 December 2017. This was to add an additional opportunity to encourage the community to submit comments or a survey or to find out what the actual increase would be on their rates.

A significant effort was made to obtain feedback from the Community via a survey or other means, this included 5 Community Pop-up stalls throughout the Shire at the following locations:

- Merriwa Touch Football, Wednesday 29 November;
- Murrurundi Touch football, Thursday 30 November;
- Christmas in the Park Scone, Saturday 2 December;
- Victoria Hotel, Moonan Flat; Thursday 7 December;
- Aberdeen Sports and Recreation Club, Saturday 9 December

The SRV Survey was used at the Pop-up stalls and made available at the Council Customer Service Centres.

There was also an interactive pdf made available on the website for the Community to access.

And a spreadsheet developed and used at the pop-ups and at Council if a Community member wanted to know the specific increase for their rates for each scenario.

Media and Advertising IP&R and SRV

The Attachment Media and Advertising IP&R and SRV presents the significant media and advertising carried out through both engagement processes to ensure the Community was aware of the CSP 2027 development and SRV impacts.

The IP&R documents, specifically the resourcing Strategy was revised to set out the extent of the rate rise. The CSP 2027 and Delivery Program link in the Community Priorities and the emphasis on the Community wanting Town Revitalisation, Enhanced Community and Family Facilities and improved roads.


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.

4.2 Feedback from the Community Consultation

Refer to Attachments CSP 2027, Part 3 Community Priorities which summarises the Community feedback received during the CSP 2027 Community Engagement. It shows the key themes raised by the Community and the development of 11 Community Priorities.



These priorities were incorporated throughout the IP&R and CSP 2027 Part 4 Strategic Directions for the Upper Hunter Shire shows how they are linked to the Strategic Directions

The Community Priority information was then used to go back out into the Community to ascertain whether the Community would like a potential SRV to complete the projects within a shorter timeframe.

Attachment Community Feedback, shows a copy of the Surveys used for both CSP 2027 and SRV Community Engagement. The Community also submitted comments without using the surveys.

Refer to Attachment SRV Council Report 29 January 2018, which summarises the feedback to the SRV Community Engagement.

Council will provide the 100's of submissions if requested.

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.

5.1 Impact on rates

The consultation process, calculator and material produced by Council projected for the Community the impact on the different rating revenue under five SRV scenarios.

The impact on the rating categories is not a simple calculation of 6.30% on Council's notional rating revenue due to Council maintaining the minimum rates imposed to only rate pegging of 2.3% and Council's commitment to the rural sector to provide a lower SRV % increase.

Based on the SRV Scenario adopted of a 6.3% increase including rate pegging will provide an increase in General Rating Revenue over the 3 year period of \$2,122,182. The below table provides an indication of the distribution of this increase across the all rating categories for the three years:

<i>Rating Categories</i>	<i>Year 1 2018/19</i>	<i>Year 2 2019/20</i>	<i>Year 3 2020/21</i>	<i>Total Cumulative Increase in Rating Revenue</i>	<i>% Distributio n of Rating Revenue</i>
Farm Land	198,135	210,615	223,884	632,634	29.81%
Residential – Scone	215,546	229,122	243,557	688,225	32.43%
Residential – Aberdeen	42,648	45,334	48,190	136,172	6.42%
Residential – Merriwa	11,215	11,921	12,673	35,809	1.69%
Residential - Murrurundi	22,342	23,749	25,245	71,337	3.36%
Residential - Ordinary	102,883	109,363	116,253	328,499	15.48%
Business – Scone	35,919	38,181	40,587	114,686	5.40%
Business – Aberdeen	3,642	3,871	4,115	11,628	0.55%
Business – Merriwa	2,700	2,870	3,051	8,620	0.41%
Business – Murrurundi	3,036	3,227	3,430	9,692	0.46%
Business – Ordinary	17,866	18,992	20,188	57,046	2.69%
Mining	8,717	9,266	9,850	27,834	1.31%
	664,649	706,512	751,022	2,122,182	100.00%

In order for Council to provide an indication of the impact on rates per year of the proposed increase and cumulative effect of the increase over the 3 years Council has used an average land value (above the minimum rating thresholds) for each rating category at the applicable ad valorem rate. It is noted that for the smaller towns within our Shire such as Aberdeen, Merriwa and Murrurundi that the majority of the ratepayers are classified as minimum rates. Further to this, as indicated by the above distribution of rating revenue approximately 12% of the increase will be generated from these small towns.

The impact on the average rates is reflected in the following table:

Rating Category	Current 2017/18	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Total Cumulative Increase
Farm Land	6029.1	6244.28	6466.21	6696.03	666.93
Residential – Scone	1014.76	1119.58	1231.39	1354.37	339.61
Residential - Aberdeen	508	643.47	705.43	773.36	265.36
Residential - Merriwa	516.56	677.34	730	786.77	270.21
Residential - Murrurundi	508	577.28	601.93	627.64	119.64
Residential - Ordinary	1121.1	1255.26	1380.5	1518.24	397.14
Business – Scone	1360.8	1494.36	1631.74	1781.74	420.94
Business - Aberdeen	998.86	1107.76	1209.28	1320.11	321.25
Business – Merriwa	700.85	777.26	836.14	899.47	198.62
Business – Murrurundi	742.95	823.95	896.05	974.45	231.5
Business – Ordinary	902.75	1051.9	1154.09	1266.2	363.45

The consultation process provided to the community was based on the assumption the existing rating structure used by Council in 2017/18 would be retained.

The consultation process involved in the four SRV scenarios (excluding the base scenario) a concession of a low farmland category SRV increase. This concession was allowed based on the fact that the majority the on potential SRV projects were predominantly urban based.

Due to the lower farmland SRV increase the redistribution of the notional rating revenue across all rating categories has been applied and forms the basis of the impacts as noted in Part A workbook to this application.

For ratepayers subject to the minimum rate across all rating categories (35.82% of all ratepayers) the following table compares the SRV outcome to Rate pegging:

Table SRV / Base Rate Peg

Minimum Residential Rate	Year 1 2018/19 \$	Year 2 2019/20 \$	Year 3 2020/21 \$
SRV	520.00	532.00	544.00
Rate Pegging	520.00	532.00	544.00
Difference	0.00	0.00	0.00

As demonstrated by the table there is no SRV impost on the minimum ratepayers across all categories.

During its consultation process Council offered to ratepayers the availability to assess what the estimated effect of the four SRV scenarios would have on an identified property based on Council's rating assessment number.

Based on the adopted SRV scenario of 6.3% and a redistribution of rating revenue across the urban categories to allow for the low farmland SRV of 1.25% + Rate pegging as consulted with the community, the following tables provide the SRV outcome to rate Pegging for an average landholding for farmland and the main urban rating categories of Residential Scone, Residential Ordinary, Business Scone, Business Ordinary.

The tables provides information regarding the cumulative annual SRV \$ effect, SRV % increase effect & weekly SRV \$ effect.

Average Farmland Rate (Based on \$1,400,000 Land Value) 2018 General Rate Cost \$6,029.10	Year 1 2018/19 \$	Year 2 2019/20 \$	Year 3 2020/21 \$
SRV	215.18	437.11	666.93
Rate Pegging	138.95	281.12	426.57
Annual \$ Increase	76.23	155.99	240.36
Effective % Increase (Using 2018 General Rate as base denominator)	1.26%	2.59%	3.99%
Weekly \$ Increase	1.47	3.00	4.62

Average Scone Residential Rate (Based on \$115,000 Land Value) 2018 General Rate Cost \$1,014.76	Year 1 2018/19 \$	Year 2 2019/20 \$	Year 3 2020/21 \$
SRV	104.82	216.63	339.61
Rate Pegging	20.82	42.20	64.03
Annual \$ Increase	84.00	174.43	275.58
Effective % Increase (Using 2018 General Rate as base denominator)	8.28%	17.19%	27.16%
Weekly \$ Increase	1.62	3.35	5.30

Average Residential Ordinary Rate (Based on \$185,000 Land Value) 2018 General Rate Cost \$1,121.10	Year 1 2018/19 \$	Year 2 2019/20 \$	Year 3 2020/21 \$
SRV	134.16	259.40	397.14
Rate Pegging	31.82	62.63	94.25
Annual \$ Increase	102.34	196.77	302.89
Effective % Increase (Using 2018 General Rate as base denominator)	9.13%	17.55%	27.02%
Weekly \$ Increase	1.97	3.78	5.82

Average Scone Business Rate (Based on \$140,000 Land Value) 2018 General Rate Cost \$1,360.80	Year 1 2018/19 \$	Year 2 2019/20 \$	Year 3 2020/21 \$
SRV	133.56	270.94	420.94
Rate Pegging	25.90	51.43	77.43
Annual Increase	107.66	219.51	343.51
Effective % Increase (Using 2018 General Rate as base denominator)	7.91%	16.13%	25.24%
Weekly Increase	2.07	4.22	6.61

Average Business Ordinary Rate (Based on \$157,000 Land Value) 2018 General Rate Cost \$902.75	Year 1 2018/19 \$	Year 2 2019/20 \$	Year 3 2020/21 \$
SRV	149.15	251.34	363.45
Rate Pegging	44.59	78.15	112.90
Annual Increase	104.56	173.19	250.55
Effective % Increase (Using 2018 General Rate as base denominator)	11.58%	19.18%	27.75%
Weekly Increase	2.01	3.33	4.82

Council will be developing its 2018/2019 Revenue Policy and will be conducting a review of the rating structure and redistributions of the overall rating yield between rating categories. It is currently unknown what that final outcome will be, however Council will publicly advertise this as part of its 2018/2019 Revenue Policy showing a base scenario and the SRV scenario.

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 X No

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

The rate peg percentage X
The special variation percentage
Another amount Indicate this amount _____

What will minimum Ordinary rates be after the proposed increase? _____

Minimum Rate in 2018/2019 \$520 finishing at \$544 by 2020/2021

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.

Currently the rating structure of Council identifies the following number of ratepayers in each rating category and applies the 2017 land values that are on minimum rate after applying rate pegging of 2.3%:

Farmland - 87 assessments out of a total of 1,600 assessments or 5.44%
Residential - 2,350 assessments out of a total of 5,266 assessments or 44.62%
Business - 286 assessments out of a total of 644 assessments or 44.41%

Overall there are 2,723 assessments out of a total of 7,511 assessments that are subject to the minimum rate which means there are 4,788 assessments subject to the ad valorem rate.

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.

5.2 Consideration of affordability and the community capacity and willingness to pay

The 2011 SEIFA index for the Upper Hunter Shire was 967.

The range for the various regions in the state is 816 to 1155. This would indicate that Upper Hunter shire Council is about mid-way compared to other regions in NSW. This would indicate that the shire is not an unduly disadvantaged area and has the capacity to pay the proposed Special Rate Variation.

A comparison from the 2012/13 NSW Comparative Information on Councils indicates that the average rates were:

Rating Category	Upper Hunter Shire Council	Group Average
Residential	610.00	652.52
Business	959.92	1,890.97
Farmland	2,713.10	2,432.74

This shows that the residential and business categories have the capacity to pay when comparing against other similar sized Councils. Farmland is a difficult category to compare as property sizes varies both across the shire and across the state which makes an accurate comparison difficult.

The Community had 10 weeks during the SRV Community Engagement to obtain information on the impact on their specific property. As discussed in Part 4, Council had an excel spreadsheet that allowed Council to advise residents on what the actual impact of the proposed SRV would mean for their rates for each scenario.

In the cases where the Community does not have the capacity to pay the rate rise, the majority of these would be covered by minimums. The minimums are increasing by rate pegging only.

During the last SRV, there was feedback that rural land did not have the capacity to pay the SRV, as it was a large impact on rural land holdings. This has been addressed for this application with a low percentage increase of 1.25% for rural lands.

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 X	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes X	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 X	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).


5.3 Addressing hardship

Councils Rates and Valuation – Hardship Policy is included as an attachment to this Application Form. This policy was reviewed and authorised by the General Manager on the 31/10/2016.

The potential beneficiaries are any ratepayer experiencing financial hardship in relation to the payment of Council rates and chargers. They are assisted as follows:

- Council may write off interest charges in accordance with an arrangement to finalise a debt owed to the Council by a rate payer who is suffering personal financial hardship under Local Government Act, sections 564 and 567.
- The General Manager has delegated authority from Council to write off amounts up to \$1,000,00. The Director Corporate and Community has delegated authority from Council to write off amounts up to \$300.00.
- The General Manager and director Corporate and Community Services may determine whether a ratepayer is suffering personal financial hardship.
- Council may write off rates due to hardship where a pensioner is solely responsible for the rates on a property, under section 577 of the Local Government Act 1993.
- Council may write off rates due to hardship in the first year of new valuations, under section 601 of the Local Government Act 1993.
- A ratepayer who is experiencing financial hardship may apply to council to pay a debt to Council by making regular payments in order to finalise that debt.

Council's Hardship Policy is referenced in the Delivery Program 2017/2018-2020/2021 (included as an attachment to this Application Form), p.15, 3.1.19.



Council has also included a further measure to reduce the impact of the proposed special variation on specific groups by incorporating a low farmland increase.

In the past when Special Rate Variations have been introduced, the impact on farmland has been more extreme than urban areas because of the value of the farmland holdings. 53% of our rates comes from farmland.

Council's intention is to alleviate this pressure by only applying a 1.25% increase plus rate pegging on farmland. The lowering of this rate is also due to the majority of the SRV projects being urban based.

Extensive Community Engagement was undertaken in terms of this lower farmland category increase, this is detailed in Part 4 of this Application. This is also included in our IP&R documentation, as it is detailed in our Long Term Financial Plan, p.15, Part 5.

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.³

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.⁴ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

Assessment Criterion 4: Public Exhibition of relevant IP&R documents

Council commenced its review and development of its IP&R documents in early 2016. There was an opinion that the existing IP&R documents were hard to read and difficult to navigate. There was a focus on ensuring these documents were clear, concise and easy to understand and interpret.

Upper Hunter Shire Council recognised that proactive and effective engagement of the Community is critical in the development of the CSP 2027 and IP&R documents. Council committed to a new engagement approach to specifically reach out to people in the Upper Hunter Shire who are less likely to participate in conventional methods of consultation or have been traditionally 'hard to reach' (Refer to 4 of this Application for a details of the Community Engagement.

The process of consultation with the Community lead to the development of the 11 Community Priorities and these were linked to the IP&R documents. This resulted in the decision to explore options for funding and to go back out into the Community to determine if a Special

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

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

Rate Variation was a preferred option for specific projects related to Town Revitalisations, Community and Family Facilities enhancements and Road improvements.

This also resulted in further revision of Councils Resourcing Plan to incorporate a potential Special Rate Variation, as part of the SRV project and 2nd stage Community Engagement focused on a potential SRV.

Detailed below are the key steps taken during the development of the IP&R documents.

Description of Key Milestone	Date of Completion
<p>Research, Review, Planning and Development of new look Community Strategic Plan (CSP) 2027, Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018</p> <p>Included:</p> <ul style="list-style-type: none"> • Research; • Review Council’s responsibilities under OLG Integrated Planning and Reporting Framework • Planning; • Initial education of Council and Community concerning process; • Commence Council/Community Engagement; • Review CSP 2013+; and • Develop End of Term Report using process as opportunity to develop new look Community Strategic Plan documents. 	<p>April-August 2016</p> <p>Complete</p>
<p>Development and implementation of Community Engagement Strategy – Community Strategic Plan 2027</p> <p>Included:</p> <ul style="list-style-type: none"> • Research carried out on principles of engagement (i.e. IAP2); • Draft produced and made available for community, staff and Councillors to review and submit comments; and • Community Engagement Strategy endorsed by Council. 	<p>July 2016 – October 2016</p> <p>Complete</p>
<p>Ideas and Visioning</p> <p>Included:</p> <ul style="list-style-type: none"> • Review of all existing documentation; • Review of all existing Community opinion previously collected; 	<p>May-October 2016</p> <p>Complete</p>



<ul style="list-style-type: none">• Gathering opinion from Council, Community and other Stakeholders to help frame the conversation and to identify what issues need to be explored further; and• Councillor workshops in September/October 2016 to check new Councils visions; and• Ideas and Visioning information so that everyone can see how the discussion is progressing and further input obtained. This will help to establish linkages with the delivery program and operational plan and that they reflect what is detailed in the CSP.	
<p>Goal and Priority Setting</p> <p>Included:</p> <ul style="list-style-type: none">• Looking closely at High Level objectives that we should be working towards and strategies that will achieve the objectives;• Discussions concerning funding priorities, service levels, preserving local identity and to plan in partnership for a more sustainable future; and• Goal and Priority Setting information so that everyone can see how the discussion is progressing and further input obtained. This will help to establish linkages with the delivery program and operational plan and that they reflect what is detailed in the CSP.	<p>October – December 2016</p> <p>Complete</p>
<p>Development and Exhibition of draft CSP 2017, Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018</p> <p>Included:</p> <ul style="list-style-type: none">• Development of Draft CSP 2017;• Extensive Councillor and staff consultation through workshops and meetings;• Finalise draft CSP and Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018;• Council endorsed drafts for exhibition at the 24 April 2017 Council Meeting;• Exhibition for 28 days commenced on the 27 April 2017;• Review submissions;• Incorporate document changes; and• Report to Council.	<p>January – May 2017</p> <p>Complete</p>

<p>Implementation of Community Engagement Strategy – Community Strategic Plan 2027;</p> <p>Included:</p> <ul style="list-style-type: none"> • Community Engagement Strategy CSP 2027 implemented and Action Plan achieved (Detailed information provided in Part 4 of this Application); • Development of 11 Community Priorities; and • Identification of additional funding options needed to meet these priorities and second stage Community Engagement specifically for a SRV. 	<p>July 2016 – July 2017</p> <p>Complete</p>
<p>Final Community Strategic Plan,</p> <p>Including:</p> <ul style="list-style-type: none"> • CSP 2017 Adopted by Council at the 26 June 2017 Council meeting; • Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018 adopted at the 26 June 2017 Council Meeting; and • Published on council’s website 	<p>June 2017</p> <p>Complete</p>
<p>Resourcing Strategy</p> <ul style="list-style-type: none"> • Review and develop Long Term Financial Plan; • Review and develop Workforce Management Plan; • Review and develop Asset Management Plan; • Resourcing Strategy adopted at 29 January 2018 Council Ordinary Meeting; and • Asset Management Plans reviewed, revised and endorsed by Council at the 27 March 2017, 24 April 2017, 29 May, 26 June 2017 and 30 October 2017 Ordinary Council Meetings 	<p>June 2017 – January 2018</p> <p>Complete</p>
<p>Special Rate Variation Project Plan and Community Engagement Strategy SRV</p> <ul style="list-style-type: none"> • Refer to Part 2 of this application for the SRV Process; and • Refer to Part 4 of this application for the Community Engagement SRV. 	<p>August 2017 – May 2018</p> <p>Underway</p>

A summary of Councils IP&R documents are as follows:

- Community Strategic Plan (CSP) 2027, draft endorsed for exhibition 24 April 2017, exhibition commenced 27 April 2017 for 28 days and CSP 2027 endorsed at the 26 June 2017 Council Ordinary Meeting;
- Delivery Program 2017/2018-2020/2021 and Operational Plan 2017/2018, draft endorsed for exhibition 24 April 2017, exhibition commenced 27 April 2017 for 28 days and CSP 2027 endorsed at the 26 June 2017 Council Ordinary Meeting;
- Long Term Financial Plan endorsed at the 29 January 2018 Council Ordinary Meeting;
- Workforce Management Plan endorsed at the 29 January 2018 Council Ordinary Meeting;
- Asset Management Strategy endorsed at the 29 January 2018 Council Ordinary Meeting;
- Water Asset Management Plan and Sewer Asset Management Plan endorsed at the 27 March 2017 Council Ordinary Meeting;
- Road Asset Management Plan, Bridge Asset Management Plan and Stormwater Asset Management Plan endorsed at the 24 April 2017 Ordinary Council Meeting;
- Open Space Asset Management Plan endorsed at the 29 May 2017 Ordinary Council Meeting;
- Other (Swimming Pools, Aerodrome and Saleyards) Asset Management Plan endorsed at the 26 June 2017 Ordinary Council Meeting; and
- Buildings Asset Management Plan endorsed at the 30 October 2017 Ordinary Council Meeting.

The extracts from the council minutes showing the IP&R documents were adopted are included in the Attachment: Council adoption of IP&R documents.

Council's published IP&R documents are located on Council's website in the location below:

<http://upperhunter.nsw.gov.au/your-council/documents-and-policies/integrated-planning-reporting-ip-r.aspx>

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.

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Council is committed to continuing its focus on productivity improvements and cost containment strategies.

Organisation Realignment and Capacity Building

Council's structure was realigned to reflect the priorities of the Community identified in the development of the Community Strategic Plan 2027 and to have improved efficiencies.

There was an emphasis on refocused and more cost effective business units. This included the establishment of a Special Projects Team, to ensure that major projects were prioritised and the critical skills of project management and site coordination provided. The cost containment strategies were that major existing and additional grant funded projects are implemented and completed with existing workforce supplemented by specialised contractors.

A sustainability and environment team was created to reflect the increasing priority the Community places on protection of the environment and on the shire being more sustainable both financially and environmentally.

A focus on strategic planning, specifically Integrated Planning and Reporting and Council wide service improvement to reflect Council's new approach and commitment in these areas.

Economic Development and Town Revitalisation

Council's Business Enterprise and Tourism Team has been successful in building strategic partnerships with local industry and business, assisting to build diversity and resilience and attract investment.

An example of this is the Town Revitalisation Projects. There were four new Town Revitalisation Committees established for Scone, Murrurundi, Merriwa and Aberdeen. Community representatives could apply to be part of the Committees and this further strengthens approach to ensure community involvement and priorities continue to be the focus.

In 2016, Council adopted four Town Revitalisation Masterplans after extensive community consultation. Action plans from the Masterplans have been prioritised by community members and Councillors, supported by Council staff, through a committee from each town that met regularly throughout 2017.

The Town Revitalisation Projects could occur sooner if Council is successful in obtaining a SRV.

The priorities from these Masterplans are reflected in the Special Rate Variation Potential Projects List.

An additional example is the Airport Masterplan, which will ensure council continues to be a registered airport in the future and also incorporates a Warbird Aviation centre, which will attract upwards of 40,000 visitors per year.

The Upgraded Saleyards is a further example, which incorporates water efficiency, effluent management and animal welfare.

An Investment Prospectus has recently been completed, which aims at encouraging people to establish new business in town and relocate for employment.

Staff Vision, Values and Commitment

A new Staff Vision, Values and Commitments was developed after extensive staff consultation. These are included in the Attachments, CSP 2027, Part 1 and page 7.

Council staff now feel ownership towards these and they represent the staff views.

IP&R and Community Engagement

Please refer to Part 2 and Part 4 of this Application Form, which details the many improvements in these areas.

Review of Loan Portfolio

Council has been reviewing its loan portfolios annually against prevailing market conditions and Council's circumstances and requirements on a regular basis.

This has kept Council within sustainable debt service cover. Applying for the SRV is part of the long term funding structure.

Water Supply Charges – User pays system

In line with NSW State Water best practice water pricing, Council has been moving to a 75:25 pricing structure of user consumption versus annual access charges respectfully, 75% from user charges and 25% from annual access charges on the rate notice.

The benefit is that consumers have control over charges and is a fairer system for the Community, particularly pensioners who can reduce their water usage cost by using less water.

Savings from environmental initiatives

A sustainability Advisory Committee was established in 2017 and a Sustainability Action Plan is currently on exhibition.

The improvements to date are as follows:

- Upgraded lighting from traditional to LED;
- Gumman Place Hostel Merriwa solar panels installed;
- Scone Council and Early Learning Centre solar panels installed;
- Installation of solar carpark lighting at Scone;
- Saleyards effluent management moved from reliance on town water to rainwater harvesting reticulation;
- Established community recycling centre at Scone Waste Management Facility; and
- Signed up to Cities Power Partnership through Climate Council.

Productivity Improvement and Service Review Project

Council has committed to a Productivity Improvement and Service Review Pilot Program to be completed in 2018. This will then establish the framework for a whole of Council approach for formal productivity improvement and service review which will be rolled out area by area throughout Council over the next 4 years.

Two councillor workshops have been held to date to discuss the parameters of the project and 2 establish the two focus areas for the Pilot Program. The two sub pilot projects are as follows:

- Maintenance of Open Spaces Productivity Improvements and Service Review; and

- Customer Requests Roads Productivity Improvements and Service Review.

The reasons Council has commenced this project:

- Respond to changing customer priorities and needs;
- Determine the right mix of services;
- Align the services with Council's vision;
- Review and optimise Levels of Service;
- Build staff capacity and skills;
- Help in determining what is core business;
- Define statutory and non-statutory services and to assess need for non-statutory services;
- Consider alternative service delivery mechanisms;
- Identify new business opportunities; and
- Share the provision of services with other organisations

The impact of changes in demand over time on service levels will be established and accounted for. This will provide a clear understanding of cost implications across the whole life cycle of the service. When looking at the levels of service we will consider: quality, quantity, safety, capacity, fitness for purpose, aesthetics, reliability, responsiveness, environmental acceptability and costs.

During this project, we will be consulting with the Community, through our Committees.

It is particularly difficult for rural Councils like the Upper Hunter Shire to meet the increasing expectations of the Community where changing demographics may bring different expectations regarding service standards.

Carrying out Service Reviews on a priority basis is the recommended approach to addressing these challenges and in establishing quality Levels of Service for Council. This will ensure that services provided by Council are relevant to the Community and financially sustainable in the long-term.

The intention is that the Productivity Improvements and Service Review Project will identify further opportunities for:

- Service and activity improvements;
- Cost savings;
- Adjustments to Levels of Service;
- Alternative modes of service delivery; and
- Improved resource usage.

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?
Mandatory forms and Attachments	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	X
Part B Application form (Word document) – this document	X
Relevant extracts from the Community Strategic Plan	X
Delivery Program	X
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	X
NSW Treasury Corporation report on financial sustainability	<input type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	X
CSP and SRV Media and Advertising	
IP&R Community Engagement Information	
SRV Community Engagement Information	
Community feedback (including surveys and results if applicable)	X
Hardship Policy	X
Resolution to apply for the proposed special variation	X
Certification (see Section 9)	X
Other Attachments	
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 – Council adoption of IP&R documents	X
Other - SRV Council Report 29 January 2018	X
Other - Project Brief: Potential Preparation for an Application for a Special Rate Variation (SRV) 2018/2019	X

9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Upper Hunter Shire Council

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

General Manager (name): Steve Pryor

Signature and Date:

Responsible Accounting Officer (name): Wayne Phelps

Signature and Date:

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