



Independent Pricing and Regulatory Tribunal
New South Wales

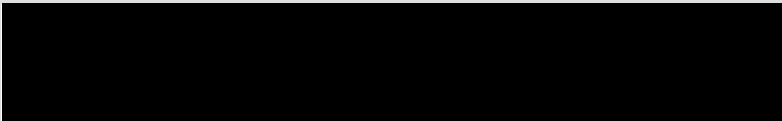
Special Variation Application Form – Part B

For 2019-20

Muswellbrook Shire Council

8 February 2019

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:

Scott Chapman (02) 9290 8449



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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 in the same rating year/s, the council may submit a combined special variation and minimum rate application (see Chapter 5 for circumstances where a combined application may be submitted). However, this must be clearly identified and addressed in the special variation application. A separate Minimum Rate application form (Part A and Part B) will need to be submitted where a council proposes increases to its minimum rates above the statutory limit for the first time, without increasing other ordinary rates in the same rating year. 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 2019-20 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.

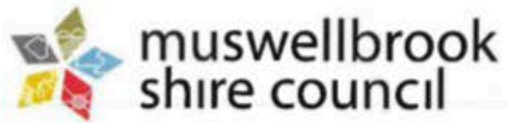
1.2 Notification and submission of the special variation application

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 30 November 2018.

Any councils that did not notify but intend to apply for a special variation for 2019-20 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 the continuation of a Special Variation for 2019/20 in a letter dated 8 November 2018 through the Council web portal on IPART’s website. The letter is embedded in the application document below.



Enquiries
Please ask for **Fiona Plesman**
Direct
Our reference
Your reference

8 November 2018

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

By email: scott_chapman@ipart.nsw.gov.au

Dear Dr Boxall,

RE: 2019/20 Special Variation – Notification of Intention

At its meeting on 12 June 2018, Muswellbrook Shire Council ("**Council**") resolved to make an application to the NSW Independent Pricing and Regulatory Tribunal ("**IPART**") for the continuation of the special variation approved in 2018/19 to remain permanently in the rate base from 2019/20.

The funds raised from this Special Variation are to be dedicated to the proposed Drainage, Parks and Roads program; Olympic Park Master Plan projects; Entertainment and Conference 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.

Council looks forward to working closely with IPART on the application and would appreciate the opportunity to meet. In the meantime if you require further information please contact me on [REDACTED]

Yours sincerely,

[REDACTED]
Fiona Plesman
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 11 February 2019**.

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 50MB 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 submitting an 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, within the following documents:

- Community Strategic Plan 2017-2027 (adopted 7 February 2017);
- Delivery Program 2017-2021 (adopted 30 January 2019);
- Operational Plan 2018-2019 (adopted 12 June 2018 and updated 30 January 2019);
- 2019/20-2029/30 Long Term Financial Plan (adopted 30 January 2019);
- Asset Management Policy (adopted 8 August 2017);
- Strategic Asset Management Plan (adopted 30 January 2019);

Each of Council's IP&R documents have been subject to public exhibition and consultation as required and adopted by Council. All documents are available to the community on Council's website at 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”. The purpose should be directly related to the special variation being sought and should be further detailed in the sections below.

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

Supporting attachments

- Attachment 1: Schedule of stormwater drainage works

Key Aspects of the Council’s Application

In 2018 Muswellbrook Shire Council applied for a permanent increase in rates across the Shire to fund a number of projects and programs identified as community priorities. The NSW Independent Pricing and Regulatory Tribunal (IPART) approved Council’s application for one year and IPART has invited Council to apply for the continuation of the Special Variation (SV) and to include it permanently in the rate base.

Council is progressing with the program of works approved for funding by IPART. In order to see those projects through to completion, Council resolved on 12 June 2018 and again on 30 January 2019 to make application to IPART to continue permanently in the rate base the approved one-off Special Variation for 2018/19 of 12.43% (plus the 2.3% rate peg) and increasing the 2018/19 rate base for 2019/20 by the 2.7% rate peg. The SV is proposed to support the following projects to implement key community priorities identified in Council’s IP&R documents:

- Upgrade of the Olympic Park Sports Precinct and development of the Regional Entertainment and Conference Centre with a combined value of \$26,010,000 made up of:
 - an SV contribution of \$11,800,000;
 - grants of \$10,500,000;
 - voluntary planning agreements contributions of \$3,710,000; and

- annual operational maintenance and net yearly operational contributions of \$700,000

- 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 SV will be revisited, and ratepayers informed of any material changes.

- An additional allocation of \$300,000 per year for stormwater drainage.
- An additional \$250,000 per year towards the Job Creation program.
- An additional \$100,000 per year for roads and parks asset maintenance programs.
- \$62,000 to offset a shortfall in rating revenues arising from a change in NSW Government policy with respect to biodiversity offsets.

REGIONAL ENTERTAINMENT AND CONFERENCE CENTRE

Since 2010, the Shire's communities have continually prioritised a performance space and conference facility; this has been incorporated into Council's strategic planning documents.

Council, at its October 2017 Extraordinary Council Meeting, endorsed a Capital Expenditure Review for the Regional Entertainment and Conference Centre, which was submitted to the Office of Local Government (OLG). The OLG provided formal acknowledgement on 2 April 2018, noting 'the OLG assessment concluded that Council's review generally meets the Guidelines' criteria'.

The Regional Entertainment and Conference Centre (RECC) to be located within the Muswellbrook CBD precinct will provide facilities and new opportunities for the creative industries and the Shire's regional communities not previously available. The proposed development will include a theatre (approximately 500 seats), black box, studio, function rooms, technical offices, support spaces, amenities, commercial space and car parking. Council has sought an iconic building design that balances the local environment, builds upon the local area's heritage and looks to the future in unlocking the economic, social, cultural and educational potential of the Shire's residents and visitors.

In July and August 2018 tenders were called for Consultancy Services for the new RECC. Council determined to invite tenders from five (5) consultants shortlisted following an Expression of Interest process.

The Design Competition Assessment Panel (DCAP) members comprised of representatives of the Upper Hunter Conservatorium of Music, Public Works Advisory, Performing Arts Connections Australia, local industry and Council, who provided their individual scoring on the concept designs based on the design principles for the development, which will inform the final design of the building and its integration with the surrounding area. At the design assessment meeting held on 26 September 2018, it was agreed to seek community responses to the designs following a process of community engagement, including a period of public exhibition and community information drop-in session. Further details are included in [Attachment 4](#).

At the October 2018 Ordinary Council Meeting it was resolved that Council place all five tender submissions' concept designs on public exhibition for a minimum of 28 days and the DCAP then make a recommendation to Council on the preferred design. Following the public exhibition, the DCAP met on 28 November 2018 and decided that the design concept scoring be adjusted to reflect the community views expressed through the consultation period. In December 2018, Council determined to enter into negotiations with the preferred consultancy services provider. The winning design is presented in the image below.



Alignment with IP&R Documents

Council has prepared a Muswellbrook Precinct 1 plan, which provides the vision for the RECC - the primary catalyst project of the endorsed Muswellbrook Town Centre Strategy. The construction of a RECC 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 the RECC, as a priority.

Council's *Community Strategic Plan 2017-2027*, *Delivery Program 2017-21* and *Operational Plan 2018-2019* identifies the goals, objectives, targets and actions integral to the delivery of the RECC including:

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	OPERATIONAL PLAN ACTION (18/19)
<p>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.</p>	<p>2.4 Implement the Muswellbrook, Denman town centre masterplans and the Sandy Hollow Village Masterplan</p>	<p>Implement the first stage of the Muswellbrook Town Centre Masterplan (Regional Entertainment and Conference Centre - subject to Special Variation) and the Denman town revitalisation project.</p>	<p>2.4.1 Develop concept designs for buildings providing commercial opportunities which the Muswellbrook Town Centre</p>
<p>GOAL FOUR Develop Muswellbrook as a Regional Centre</p>	<p>4.1 Council will apply to IPART for a permanent continuation of IPART's approved one-off Special Rate Variation for 2018/19 of 12.43% (plus 2.3% rate peg) and increasing the 2018/19 rate base for 2019/20 by IPART's 2.7% rate peg.</p>	<p>The special 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 programs. Development of the Olympic Park Sports Precinct and Regional Entertainment and Conference Centre with a combined value of \$26,010,000 (subject to receiving grants and voluntary planning agreements) is made up of:</p> <ul style="list-style-type: none"> • an SRV contribution of \$11,800,000; • grants of \$10,500,000; • voluntary planning agreements contributions of \$3,710,000; and • annual 	<p>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</p>

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	OPERATIONAL PLAN ACTION (18/19)
		operational maintenance and net yearly operational contributions of \$700,000. An additional \$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.	
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 Complete detailed design by June 2019 and seek further funding for construction of the Regional Entertainment and Conference Centre (RECC) and report progress to Council as required
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.	19.3.10 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 RECC are summarised below.

Item	\$
Regional Entertainment and Conference Centre This equates to around \$3,800/m ² for a 3,400m ² building, not including the 'black box' valued at around \$750,000	13,000,000

Unless savings can be realised through the design and construction phases, Council will seek grant funding for the 'black box' separately.	
Fitout of Centre (including seats, audio visual, IT, PA, curtains, lighting)	2,000,000
TOTAL ESTIMATED CAPITAL COST OF ENTERTAINMENT AND CONFERENCE CENTRE	\$15,000,000

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

Fixed Expenses	\$
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
Total operating costs	595,000
Depreciation	242,500
Interest on loan \$7M average over the first 4 years	239,000
TOTAL FIXED ANNUAL OPERATING COSTS	1,076,500

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. Interest on the loan has been forecast at 4.75% in line with the market.

Variable Items (related to Operation of the Centre)	\$
<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
TOTAL VARIABLE REVENUES	175,000
Performing Arts Program	100,000
Commercial Venue Hire	25,000
Community Venue Hire	15,000
TOTAL VARIABLE COSTS	140,000
Surplus / (Deficit) from Centre Operations (to help offset fixed costs)	35,000

OLYMPIC PARK SPORTS PRECINCT UPGRADE

The Olympic Park Sports Precinct is Muswellbrook's premier sporting venue. It is home to junior and senior rugby league and touch football, a velodrome and two tennis clubs. This offering is rounded out by being co-located with the Muswellbrook Aquatic Centre and Muswellbrook Golf Club. The Golf Club has recently been awarded a Restart NSW grant of around \$1 million towards the upgrade of the course and its club facilities.

Council, at its October 2017 Extraordinary Council Meeting, endorsed a Capital Expenditure Review for the Olympic Park Sports Precinct Upgrade, which was submitted to the OLG. The OLG provided formal acknowledgement on 2 August 2018, noting '... reviewing the information provided by Council, it has been determined that Council has satisfactorily addressed the capital expenditure criteria'.

'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.). It is noted that work on Stage 1 has commenced.

'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 2018-2019* identifies the goals, objectives, targets and actions integral to the delivery of the Olympic Park Sports Precinct Upgrade including:

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	OPERATIONAL PLAN ACTION (18/19)
GOAL FOUR Develop Muswellbrook as a Regional Centre	4.1 Council will apply to IPART for a permanent continuation of IPART's approved one-off Special Rate Variation for 2018/19 of 12.43% (plus 2.3% rate peg) and increasing the 2018/19 rate base for 2019/20 by IPART's 2.7% rate peg.	The special 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 programs. Development of the Olympic Park Sports Precinct and Regional Entertainment and Conference Centre with a combined value of \$26,010,000	4.1.3 Develop detail design for the Olympic Park Precinct upgrade

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	OPERATIONAL PLAN ACTION (18/19)
		<p>(subject to receiving grants and voluntary planning agreements) is made up of:</p> <ul style="list-style-type: none"> • an SRV contribution of \$11,800,000; • grants of \$10,500,000; • voluntary planning agreements contributions of \$3,710,000; and • annual operational maintenance and net yearly operational contributions of \$700,000. <p>An additional \$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.</p>	
<p>GOAL FIVE Continue to improve the affordability, liveability and amenity of the Shire's communities</p>	<p>5.1 Implement the outcomes of the Recreation Needs Study</p>	<p>The recommendations from the Recreation Needs Study are implemented</p>	<p>5.1.1 Recreation Needs and Management Study used for works planning and budget purposes</p>
	<p>5.5 Promote and facilitate increased participation in active and passive recreation activities</p>	<p>Increased participation in recreation activities Implement the Olympic Park Precinct Masterplan (subject to</p>	<p>5.5.3 Continue matched funding Large Sport and Recreation Grants Programme</p>

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	OPERATIONAL PLAN ACTION (18/19)
		Special Variation).	
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 Plan a staged program of works and seek funding for the implementation of the Council adopted Muswellbrook Urban Riparian Master Plan (MURMP)
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.	19.3.10 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.	21.1.1 Provide a report to Council on options to be funded and the amounts necessary to achieve the Delivery Program priorities

Financial Implications

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

Item	\$
Works already funded	
Stage 1 Carpark	660,000
Masterplan	50,000
All other Stage works	
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
TOTAL ESTIMATED CAPITAL COST	
Note: design scope of bridge and grandstand will be within available	\$11,010,000

budget	
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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
TOTAL FIXED ANNUAL OPERATING COSTS	429,000

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. Interest on the loan has been forecast at 4.75% in line with the market.

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

An allocation of \$695,000 pa accounted for in the operating expenses of the proposed Regional Entertainment and Conference Centre, and the Olympic Park Sports Precinct Upgrade is proposed to be funded under this application.

STORMWATER DRAINAGE MANAGEMENT

New infrastructure investment is required in order to deliver currently unfunded key community priorities in relation to stormwater drainage management, including new drainage asset upgrade programs to address capacity and known flooding issues. The \$300,000 annual stormwater drainage allocation to be sourced from the SV will enable key stormwater infrastructure investment in new drainage programs, particularly at Denman, where a gap in required stormwater drainage service provision is identified through the Denman Town Centre Master Plan, and also programs identified through the Strategic Asset Management Plan and Stormwater Drainage Priority Program.

Alignment with Council's IP&R Documents

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	DELIVERY PROGRAM TARGET	OPERATIONAL PLAN ACTION (2018/19)
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.	19.4.6 Implement prioritised (in addition to responsive) rolling works program of maintenance

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

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 1,500 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 for 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, the development of a nationally significant pumped hydro energy storage project with proponent AGL, and tourism product development in partnership with Upper Hunter Shire Council and Upper Hunter Country Tourism.

Alignment with IP&R Documents

COMMUNITY STRATEGIC PLAN GOAL	DELIVERY PROGRAM OBJECTIVE	TARGET	OPERATIONAL PLAN ACTION (18/19)
GOAL ONE Support job growth	1.1 Facilitate the expansion of and establishment of new industries and business	New growth achieved	1.1.1 Complete refurbishment work on the innovation Hub
	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	2.2.2 Continue to work with the University of Newcastle on key projects aligned to Council's Economic Diversification strategy including the Open Access Pilot Bio-refinery, energy storage and rehab and remediation
			2.2.4 Delivery of Job Creation Fund Projects

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, together with 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 an annual allocation of \$100,000 as proposed by this SV application.

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 SV increase in 2018/2019 will recover that amount from ratepayers in the mining category and it is therefore important to keep the increase in 2019/2020 and the subsequent years thereafter.

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 program 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 Regional 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 program of continuous community engagement and consultation. Over the last three 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 participated in the formal consultation program that had been undertaken during the previous three years, which included consideration of the Muswellbrook Town Centre Strategy, Denman Town Centre Master Plan, the revised Local Environmental Plan (LEP), Olympic Park Sports Precinct Upgrade, Regional Entertainment and Conference 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 those within the *Hunter Regional Plan 2036*.

Council has also considered alternative sources of revenue for the projects subject to this 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 application to IPART for the continuation of the SV.

Each of these factors has informed Council's decision on 12 June 2018 and 30 January 2019 to make the application to IPART to support those identified priorities.

2.3 Existing s508A multi-year special variation

You should complete this section if the council has an existing s508A multi-year special variation instrument that will continue to apply in the period for which the council is seeking further changes to its general income.

If IPART decides to approve an increase to the council's general income in response to this application, it will vary the existing s508A multi-year special variation instrument. Therefore, by completing this application form and seeking a further change to your revenue path, you are in effect applying for a variation to that instrument.

When addressing the assessment criteria in the remainder of this application form, please take care to be clear about whether the information you are providing is in relation to the incremental increase being sought by the council or the total cumulative increase that may be reflected in a varied instrument (this would include the aspects of the application that have previously been approved by IPART).

Does the council have a s508A multi-year special variation instrument that will continue to apply in the period for which the council is seeking further increases to its general income

Yes No

If Yes:

- a) Over what period does the existing instrument apply? From _____ to _____
- b) What are the approved percentages for each year of the existing instrument? _____
- c) Briefly describe any significant changes of relevance since you submitted the application for the existing instrument.

2.4 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 No

If Yes, has a review been done and submitted to OLG?

Yes No

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.*

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the analysis 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

In its application, the council should summarise and explain:

- ▼ How it 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 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.

How Council identified and considered the community's needs

Council's comprehensive community engagement program conducted over the past three years (including telephone and online surveys, the establishment of a Community Panel, Listening Posts and community forums – further details are included in Attachment 4) has informed the strategic planning of Council and consistently confirmed the importance to the community of improved liveability, specifically in relation to:

- Employment alternatives, for example in agribusiness and new technologies;
- Recreation and sporting facilities that bring people into the Shire to stay; and
- A healthy and attractive physical environment that encourages people to settle in the Shire.

The *Muswellbrook Shire Community Strategic Plan 2017-2027* (CSP) responded to community need and was finalised by councillors after a series of strategic planning sessions. Councillors weighted up and reviewed a number of matters in considering the exhibition of a draft CSP for community feedback and external and internal expert opinion – including advice from the Office of the State's Chief Planner and the Hunter Research Foundation Centre at the University of Newcastle.

The first four goals of the CSP are:

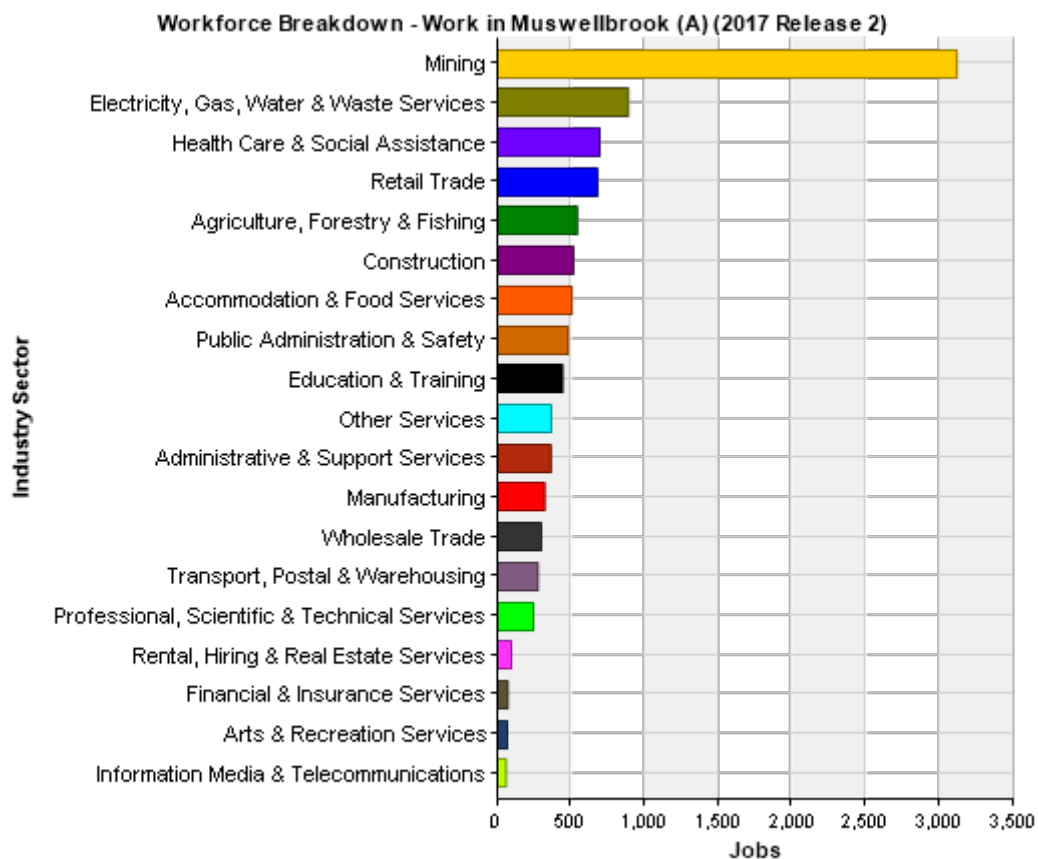
- Goal 1: Support Job Growth;
- Goal 2: Diversify the economy, facilitate the development of intensive agriculture and other growth industries, make the Shire a more attractive place to invest and do business;
- Goal 3: Facilitate greater access to higher education and participation in the knowledge and creativity economy; and
- Goal 4: Development Muswellbrook as a Regional Centre.

A confidential copy of the full list of projects considered by councillors during the strategic planning process 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 Improvement Plan*.

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 all else. Councillors then refocused their attention on the more discretionary project prioritisation.

Council has determined to apply for a continuation of its 2018/19 Special Variation to remain permanently in the rate base to enable regional job creation programs, innovation, research and environmental sustainability. These programs are a vital aspect of an ongoing effort towards the diversification of the local economy.

Muswellbrook Shire is the main centre for New South Wales’ power generation and thermal coal extraction. With six thermal coal mines and two coal fired power stations situated in the local government area, employment in the Shire is dominated by the mining and power generation industries (see below graph). Almost half of the workforce commutes to Muswellbrook Shire from outside the local government area, which represents an opportunity for residential and commercial growth within the Shire, and is a driver behind Council’s support for the new and improved liveability infrastructure to be funded by the proposed continuation of the SV.



Council’s Community Strategic Plan (CSP) aims to improve the Shire’s attractiveness and liveability, and enable Muswellbrook to diversify its economy and develop as a regional centre. Council supports the NSW Government’s *Hunter Region Plan 2036* and the *20 Year Economic Vision for Regional NSW* (published July 2018), which identify the importance of

established industries (such as resources and mining and agribusiness) to the sustainable economic future of regional NSW while looking to support emerging sectors that will drive the economic future of regional NSW, including tertiary education, renewable energy, advanced manufacturing and technology enabled primary industries.

As identified in the CSP, community feedback has indicated considerable concern about job security. The closure of Drayton Coal in November 2016 and the planned closure of Muswellbrook Coal (2020) and AGL Energy's Bayswater (2036) and Liddell (2022) power stations have had and will have a substantial impact on local employment.

Council's Integrated Planning and Reporting documents, including the Long Term Financial Plan and draft Strategic Planning Statement aim to drive the transition of the Muswellbrook Shire to a Regional Centre (Goal 4 CSP) that provides a range of employment opportunities, with access to tertiary education, cultural activities, and recreational and sporting facilities in a healthy and sustaining physical environment.

The current job creation and diversification programs have been largely funded from the efficiencies achieved by Council's Future Fund, established after the *Fit for the Future* process was introduced. These programs are well supported by the community, which supports Muswellbrook Shire's growth into a Regional Centre.

Council proposes a continuation of the 2018/2019 Special Variation to fund regionally significant projects: a Regional Entertainment and Conference Centre (a major component of the Muswellbrook Town Centre Strategy); an expansion and upgrade to the Olympic Park Sports Precinct; improved storm water infrastructure in the Denman and Muswellbrook town centres; an additional allocation of \$250,000 per annum to the job creation and diversification program; and an additional allocation of \$100,000 per year to parks and road asset maintenance. These projects are closely aligned with the priorities of the CSP together with the *Premier's Priorities in Action, State Priorities, Hunter Regional Plan 2036* and other NSW Government plans.

Council's most recent Community Panel (October 2018) considered the proposed projects with the majority of the Panel confirming the community's continued support for the Regional Entertainment and Conference Centre (choosing a preferred design for Council's approval), the Olympic Park Sports Precinct, improved stormwater infrastructure and additional funds for the Job Creation Program and parks and roads maintenance.

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 revenues 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.

This planning, review and analysis has determined that without an injection of funds from the rating base (including the mines, while they are still operational), Council will be unable to improve the attractiveness and liveability of its community which will place its long term sustainability (once the mining operations have ceased) at risk, as this community does not

have a central gathering hub, to keep its community members engaged, connected and emotionally tied to Muswellbrook.

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 the continuation of the Special Rate Variation is granted for 2019/20, include the following:

Grant Funding

During the financial year ended 30 June 2018, Muswellbrook Council has enjoyed a 165% increase in capital grants since 2017, bringing the capital grants amount to almost 2016 levels.

Despite the successful reversal of the grant revenue decline of 2017, many grant opportunities require matching of funding from Council and Council has limited capacity of fulfilling any such requirements without placing pressure on projects already prioritised in its works program.

However, Council is committed to continue to undertake a proactive approach in its search for its capital grants and will be seeking \$10.5m (40%) in grant funding towards the proposed SRV projects.

Nevertheless **if no grant funding** was obtained, Council will be able to substantially complete the SRV projects, as follows:

- Cancel stage 2 of the Olympic Park 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 Entertainment and Convention Centre with loans to that amount. This would increase the loan load to \$16.8m and would lengthen the payback period to 30 years post the SRV 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 2018, the General Fund's loan portfolio stood at \$6m, most of which will be fully repaid by 2025.

The 10 year forecasts developed by Council with the proposed Special Variation, project that \$11.8m loans need to be taken up to enable the completion of the proposed SRV projects. The payback period of those loans is calculated to be 29 years.

These forecasts are based on a loan interest amounting to 4.75% 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.

Voluntary Planning Agreements

Over the years, Council has been successful in negotiating Voluntary Planning Agreements, 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 Voluntary Planning Agreements (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 CPI but this is justifiable because it supports Council's recoverability of cost strategy without placing a burden on the community's affordability.

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 2018's financial statements show that Externally Restricted Reserves amount to \$33.2m and Internally Restricted Reserves amount to \$19.6m.

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 the 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 the internally restricted funding 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 tight. 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 SRV projects without an SRV.

Without an injection of funds from the rating base (including the mines, while they are still operational), Council will be unable to improve the attractiveness and liveability of its community which will place its long term sustainability (once mining operations have ceased) at risk, as this community does not have the central gathering hub, which would keep its community members engaged, connected and emotionally tied to Muswellbrook.

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 SRV 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 identified in its Long Term Financial Plan are to achieve the following:

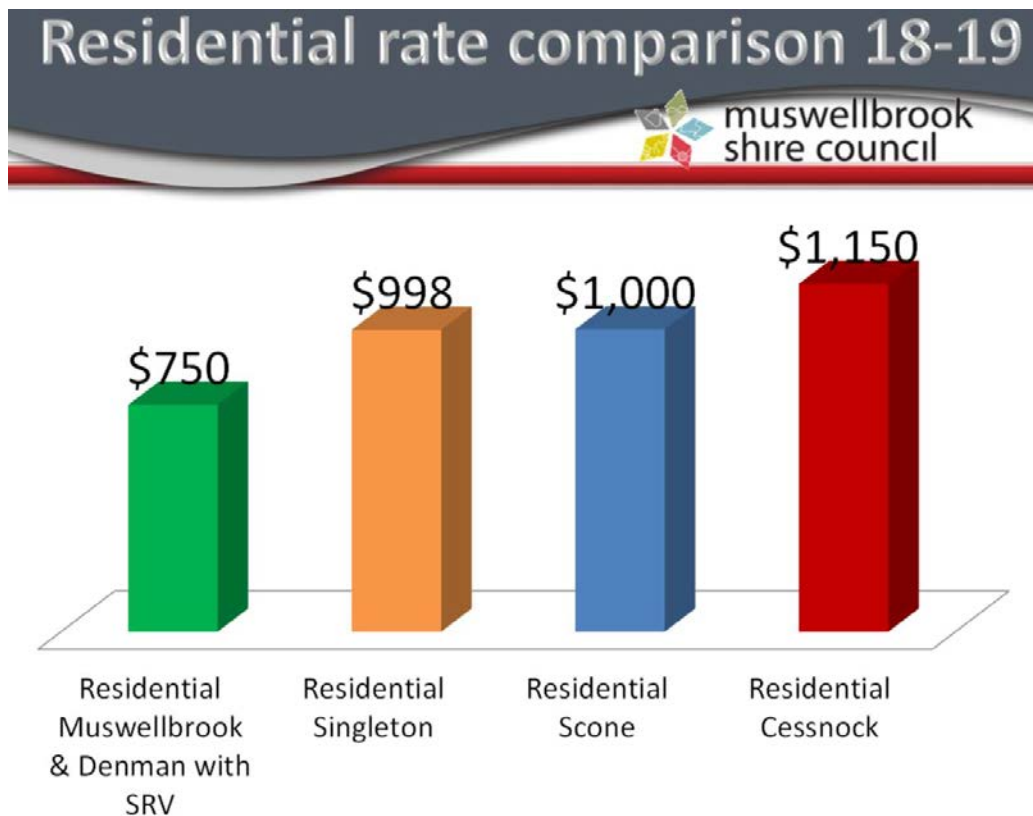
- modest operating surpluses in order to insulate Council from unforeseen events;
- future-proofing Council's rate base by improving the attractiveness and liveability of its community and thus reducing the exit rate of Council's future rate payers;
- maintain, or where appropriate, increase current service levels to meet the needs of the community;
- reduce or eliminate the infrastructure backlog;
- 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 have ensured that this Council has been and continues to be able to maintain and grow its operational liquidity, including throughout the economic downturn period.

However, Council has recognised that the mining contribution will not be there in the long term and in an effort to reduce the transient nature of some of its rate payers and keep the future rate payers connected to and engaged with the community, so they can stay for the long term, Council is proposing to undertake these legacy-building SV developments.

The forecasts included in the Long Term Financial Plan 2019-2029 attached to this submission illustrate that these SV developments cannot be met under Council's Base Model.

Informal benchmarking against surrounding Councils, confirms that Muswellbrook's average residential rate, including the proposed SV increase, would still 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's understanding of its current state of financial sustainability

Council is in a strong financial position and in 2013 it was assessed, by TCorp, as having a moderate financial sustainability rating with a neutral outlook. Council was assessed as being sustainable as a stand-alone Council in its *Fit for the Future* assessment in 2015. Since this time Council has embraced the Integrated Planning & Reporting (IP&R) framework with a greater focus on a longer-term strategic approach and commitment to investing in improved business systems.

External assessment of Council's financial sustainability

In the six years since the completion by TCorp of its *Muswellbrook Shire Council Financial Assessment, Sustainability and Benchmarking Report* (April 2013), Council's financial position has strengthened and matured, which has given Council the confidence in its own financial sustainability to seek the proposed continuation of the SV.

Impact of the proposed SV on Council's financial sustainability

While Council can show that it is able to continue to operate and remain sustainable within the existing rates capping environment, it has been active in consulting with the community about the challenges presented by increasing uncertainty in the future of coal fired power generation and thermal coal production. This has resulted in the community's desire for Council to improve the attractiveness and liveability of the Shire, while continuing to support the Shire's economic diversification. In response to the community's need, Council has undertaken to apply for a continuation of its 2018/19 Special Variation to remain permanently in the rate base from 2019/20.

In 2017 and 2018 Council undertook the following actions as part of its continuing commitment to improving its financial sustainability:

- Introduction of a new Revenue Policy to include mining, farmland and business related sub-categories;
- A review of the Future Fund Policy leading to improved governance of the Future Fund;
- A Financial Management Maturity Assessment by Morrison and Low consultants and the introduction of subsequent financial management improvements;
- Appointment of an appropriately qualified Chief Financial Officer; and
- Outplacement of the Council Accountant to Council utilities to address identified overruns in asset management and improve financial management.

Council proposes to build on the strong foundation it has prepared in partnership with industry, government, the research sector and the community for transition, through the development and maturation of Council's Future Fund Policy and job creation program. The proposed continuation of the SV is critical for the full implementation of that transition program. The continuation of the Special Variation will improve the Shire's attractiveness and liveability and help position Muswellbrook as a Regional Centre and to grow and diversify its economic base.








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 performance ratio excluding capital items (ie, net operating result excluding capital grants and contributions as percentage of operating revenue excluding capital grants and contributions).
- ▼ Own source revenue ratio (ie, total operating revenue excluding capital items as a percentage of total operating revenue including capital items).
- ▼ Building and asset renewal ratio (ie, building and infrastructure asset renewals as a percentage of building and infrastructure depreciation, amortisation and impairment)
- ▼ Infrastructure backlog ratio (ie, estimated cost to bring assets to satisfactory condition as a percentage of total (written down value) of infrastructure, buildings, other structures, depreciable land and improvement assets)
- ▼ Asset maintenance ratio (ie, actual asset maintenance as a percentage of required asset maintenance).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding 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).

Following are tables extracted from the LTFP detailing current and forecast key financial indicators. Forecast indicators include the effect of the proposed SV.

Current

	Ratio	Calculation	Sustainable Target	2017/18 Actual Ratio
SUSTAINABILITY	Operating Performance Ratio	Total operating revenue (excluding capital grants and contributions) less total operating expenditure Divided by continuing operating revenue	> 0%	13.03% 
	Own Source Revenue Ratio	Total continuing operating revenue (excluding capital grants and contributions) Divided by continuing operating revenue	> 60%	65.83% 
	Building and Asset Renewal Ratio	Asset renewals divided by depreciation, amortization and impairment	> 100%	97.11% 
INFRASTRUCTURE & SERVICE MANAGEMENT	Infrastructure Backlog Ratio	Estimated cost to bring assets to a satisfactory condition divided by the total WDV of infrastructure assets	< 2%	5.49% 
	Asset Maintenance Ratio	Actual asset maintenance divided by required asset maintenance	> 100%	75.13% 
	Debt Service Cover Ratio	Operating result before capital excluding interest and depreciation divided by principal repayments plus borrowing costs	> 2x	2.3x 
EFFICIENCY	Real Operating Expenditure	Operating expenditure divided by population	Decreasing	1.87 2017 2.72 2018 

Forecast

Key Performance Measures										
For years ended 30 June 2019/20 - 2028/29	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Performance Ratio										
> 0%	2.2%	1.9%	1.4%	1.4%	1.5%	1.6%	1.6%	1.6%	1.7%	1.7%
Own Source Revenue Ratio										
> 60%	74%	76%	76%	76%	76%	76%	76%	76%	76%	76%
Building and Infrastructure Asset Renewal Ratio										
> 100%	101%	104%	102%	102%	101%	100%	103%	103%	102%	101%
Infrastructure Backlog Ratio										
< 2%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Asset Maintenance Ratio										
> 100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Debt Service Ratio										
0%<>20%	2.6%	2.1%	2.1%	2.0%	1.5%	1.0%	1.0%	1.0%	0.9%	0.9%
Real Operating Expenditure per Capita (a declining trend over time)										
	2.17	2.16	2.16	2.15	2.15	2.15	2.15	2.14	2.14	2.14

It is noted that Council did not meet the benchmarks for the three infrastructure ratios in 2017/18; in response Council conducted a review of asset management processes and methodologies and subsequently implemented an improved process that will achieve a core level of asset management maturity within the next year.

Council's revised asset management program addresses the factors that did not accurately reflect the true position of assets. Additional funding has been committed where necessary and training delivered to asset managers. It is for this reason that the infrastructure ratios in future years are forecast to come within the benchmarking parameters.

Council is confident that the following measures will significantly improve each of the infrastructure ratios over the next 12 months:

- Implementation of a new electronic asset management system with improved data management that provides quality and accuracy of condition data;
- Integration between the finance and asset management system to ensure informed investment in assets;
- Focus on planned renewal in the capital works program;
- Additional investment in short-lived and high cost asset renewals will be removed;
- Community engagement program is planned to set realistic levels of service for key infrastructure assets;

-
- Independent review of valuations and methodologies;
 - Planned capital works program; and
 - Ongoing asset rationalisation.

Council and the General Fund have a very healthy, historical track record of performing well above the industry benchmarks for the operating performance ratio, own source operating revenue ratio and the unrestricted current ratio and this track record is forecasted to be maintained without any ratio breaches over the forecasted 10 year period.

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. In particular, councils need to communicate the full cumulative increase of the proposed special variation in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. 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.

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.¹

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.

¹ <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 it has 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 Chair.

Box 4.2 Where a council has an existing s508A special variation and is applying for an additional s508(2) special variation

The council's application should demonstrate that it has explained to its community:

- ▼ There is a special variation already in place for the current year and the size of that special variation.
- ▼ The size and impact of the additional special variation proposed and its purpose.
- ▼ The cumulative annual increase in rates from the existing and proposed special variation together.

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: Muswellbrook Shire Council 2019/20 Special Variation Consultation Report
- Attachment 5: Muswellbrook Shire Council Special Variation Proposal 2018/19: Community Consultation and Engagement Report

Over the last three 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 each of the Shire's residents and stakeholders 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 policy responses to community wishes captured in the Community Strategic Plan. A second Community Panel was appointed in 2018 to consider the proposal to continue the SV from 2019/20 and retain it permanently in the rate base. Among those issues considered by both Panels were the projects and programs subject to this application. Council also undertook further consultation throughout the year to ensure the Delivery Program priorities identified for funding in this application and the proposed SV as a means of funding those priorities, 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 continuation of the SV and the projects it is proposed to fund. These community engagement activities have included:

Telephone Surveys

Three telephone surveys were conducted on behalf of Council in 2017 and 2018 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 twenty-five councils across the State.

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 and third related to the specific proposals of this application (Attachment 4).

Online Survey

Council also engaged Jetty Research in 2017 and 2018 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

Council endorsed project plans for each of the Olympic Park Sports Precinct Upgrades and Regional Entertainment and Conference Centre project, which have been placed on exhibition for 28 days for the community to provide feedback on the proposals.

Traditional Media

News articles and stories were published and broadcast by the Muswellbrook Chronicle, 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.

Letters to ratepayers

This outlined the proposal, the Special 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 online surveys).

Social Media (Facebook posts)

Council utilised Facebook to grow awareness of the proposal through a series of posts, 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 and answers to each of those.

Stakeholder meetings

Meetings with stakeholders have been held regularly with user groups and other stakeholders since 2017 to gauge support within specific interest groups for the proposed projects proposed to be funded by the SV and to guide the implementation of the project plans.

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 Attachments 4 and 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 attachments:

- Attachment 4: Muswellbrook Shire Council 2019/20 Special Variation Consultation Report
- Attachment 5: Muswellbrook Shire Council Special Variation Proposal 2018/19: Community Consultation and Engagement Report

In addition to its regular program of community consultation activities, Council undertook specific community engagement and consultation relating to the proposed SV, the projects proposed for funding, and the financial impact on ratepayers in each category of rates. Together with a concerted media (traditional and online) effort 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.

A detailed summary of results of the SV proposal related community engagement activities are available in Attachments 4 and 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 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 (eg, receipt of new valuations) 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 the ad valorem rate varies between the categories.

Should this application for the continuation of the special variation be approved, a one-off 12.43% (plus the rate peg) increase will be applied across the rating 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 policy on Valuation of Land Used for Coal. 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.

For minimum rate increases, a council must seek approval via an instrument when it:

- ▼ proposes to increase its minimum rates above the statutory limit for the first time with or without increasing its general income above the rate peg limit;
- ▼ it is already imposing an ordinary minimum rate above the statutory limit and it seeks to increase that rate by more than the rate peg or the percentage allowed by a special variation; or
- ▼ is seeking to increase the minimum amount of its **special rates** above the statutory limit.

Under these scenarios, where the council is also proposing a special variation in the same rating year, it may submit a combined special variation and minimum rate application.

Complete this section if the council is seeking approval to increase the minimum amount of an ordinary rate or special rate via an instrument as outlined above.

Does the council have an ordinary rate subject to a minimum amount? Yes No

Does the council propose to increase the minimum amount of its ordinary rates above the statutory limit for the first time? Yes No

Which rates will the increases apply to? Residential Business Farmland

Does the council propose to increase the minimum amount of its ordinary rate/s by:

- The rate peg percentage
- The special variation percentage
- A different amount indicate this amount (%) _____ (\$)

What will the minimum amount of the ordinary rate/s be after the proposed increase? \$ _____

If the increase applies to a special rate, complete this section

What will the minimum amount of the special rate be after the proposed increase? \$ _____

IPART will assess applications for minimum rates above the statutory limit against the following set of criteria (in addition to any other matters which IPART considers relevant):

- ▼ the rationale for increasing minimum rates above the statutory amount,
- ▼ the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category, and
- ▼ the consultation the council has undertaken to obtain the community's views on the proposal.

See the separate **Minimum Rate Application Form Part B** for more detail on how IPART will assess applications against each of these criteria. It is the council's responsibility to provide enough evidence in its application to justify the increase. Where applicable, councils should make reference to the relevant parts of its Integrated Planning and Reporting documentation to demonstrate how the criteria have been met.

The council must explain how the proposed special variation will apply to the minimum amount 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 (refer to Part A of the application as necessary).

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.

This section is not applicable to this application.

It is not necessary for a council to apply to IPART for an increase in minimum rates when the council:

- ▼ is seeking to increase its ordinary minimum rates to any level at or below the statutory limit (even if the increase is by more than the rate peg); or
- ▼ has previously had an increase to its ordinary minimum rate above the statutory limit approved by IPART, and is seeking further increases by the rate peg or the percentage applied for in a special variation application (see section 548(4) and (5) of the Act).

Complete this section for information only if the proposed increase to the minimum amount is not above the statutory limit or if above the statutory limit, the council has previously been granted approval for an increase above the statutory limit (see section 548(4) and (5) of the Act).

Does the council have ordinary rates subject to a minimum amount? Yes No

Which ordinary rate will the proposed increase apply to? Residential Business Farmland

Does the council propose to increase the minimum amount of its ordinary rate/s by:

- The rate peg percentage
- The special variation percentage
- A different amount Indicate this amount (%) _____ (\$)

What will the minimum amount of the ordinary rate/s be after the proposed increase? \$ _____

Where the minimum rate increase is proposed without a corresponding variation to ordinary rates, a separate Minimum Rate application is required. See the separate Minimum Rate Application Forms Part A and Part B for 2019-20.

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

The affordability of the approved SV of 12.43% (plus the rate peg) for 2018/19 and the community's capacity to meet the cost of the increase has been tested since its introduction in the 2018/19 financial year. The percentage collected at the same point in time for both years is almost identical (refer to table below), confirming the proposal's affordability and the capacity of the community to meet the cost of the SV. It is noted that in both years the rate of collection has exceeded the target benchmark of 50%.

Year	Percentage collected (December)
2017/2018	58.98%
2018/2019	55.27%

Muswellbrook Shire has amongst the lowest residential rates in the Hunter Region. This remains to be true even after the SV for 2018/2019 was applied. A comparison of Council's ordinary residential rates (inclusive of the SV) against the residential rates at our neighbouring council areas is presented in the graphic below.

Residential rate comparison 18-19




ABS data records the Shire’s median household wage at \$69,992. There is a high wage and salary component, from which are deducted significant taxes. Property income is significant and there is a reasonable growth in household wealth despite high indebtedness. The unemployment rate is moderate with a high labour market participation rate.

The population shows moderate levels of socio-economic disadvantage compared to the State Average when measured against the Socio-Economic Indexes for Areas (SEIFA). ABS data confirms that 38.9% of dwellings in the local government area are rented, a high proportion of which consist of social housing. The impact of the continuation of the SV will have a negligible impact on the cost of rent. It is noted that those projects proposed by the SV will be of benefit to all residents and not limited just to ratepayers.

It is important to note that between August 2018 and January 2019, Council also recovered debt (for unpaid rates, excluding water charges) of \$1,101,436.78.

As at the date of this application, Council has only two (2) ratepayers approved for assistance with financial hardship. This number is lower than the previous year when there were six (6) ratepayers approved for the same assistance. The decrease occurred with the 2018/2019 SV increase in place and during one of the most prolonged droughts in recent history. A copy of Council’s Hardship Policy – Rates and Charges is attached ([Attachment 6](#)).

Willingness to Pay

The telephone survey undertaken in 2018 for the purposes of determining community sentiment towards the SV, indicated 45% 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 conducted the telephone survey. There is a high level (69%) of awareness within the community of the proposal. Council is confident that there is sufficient willingness in the community to justify the continuation of the SV.

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 attachment:

- Attachment 6: Hardship Policy – Rates and Charges

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. For 2018/19, Council determined to increase the pensioner rebate to offset the impact of the SV, which it is anticipated will occur in future years. It is noted that Council's Delivery Program includes reference to Council's financial hardship policy (pages 34-35).

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.

Currently Council can provide assistance to its residents by offering:

- A cap or stop on interest charges;
- Pensioner rebates (in collaboration with the NSW Government);
- Direct debit options; and
- The ability to pay by instalments.

Generally, Council's Hardship 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.²

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.³ 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 (IP&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 and beyond the next budget cycle.

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 a collective vision for the Shire ten years hence.

² The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

³ 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. Those project proposals and the use of funds raised by way of the continuation of the approved SV for 2018/19 were reconfirmed by Councillors on 12 June 2018 and again on 30 January 2019.

Following the approval by IPART of Council's application for a one year Special Variation for 2018/19 to progress the agreed projects, Council has undertaken a further review of its IP&R documents. The review, which included periods of public exhibition, has resulted in amendments to the Delivery Program and Long Term Financial Plan, together with minor consequential amendments to the Operational Plan (to reflect those adopted changes in the Delivery Program - the substance of the Operational Plan remains the same for the 2018/19 year). It is noted that the Operational Plan for 2019/20 is proposed to reflect any approval of this application for the SV. Council's suite of IP&R strategic documents align with the proposal for the continuation of the SV from 2019/20, and each is available on Council's website.

Following is a comprehensive timeline of formal Council decisions with respect to the IP&R framework documents. These decisions come from Ordinary Council meetings, Extra-ordinary Council meetings and delegated Corporate Policy and Planning Committee. It is noted that Council's Corporate Policy and Planning Committee is delegated to endorse policy and strategic documents, including IP&R documents 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.

[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] 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 Woodruff 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.

[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.

[12 June 2018] 12.1 2017-2021 DELIVERY PROGRAM REVIEW

285 RESOLVED on the motion of Crs Bowditch and Eades that:

Council endorse the reviewed Delivery Program for public exhibition from 12 June 2018 to 10 July 2018.

[12 June 2018] 12.4 APPLICATION FOR CONTINUATION OF SPECIAL VARIATION

288 RESOLVED on the motion of Crs Rush and Green that:

1. Council endorse the making of an application to the Independent Pricing and Regulatory Tribunal for a one-off Special Variation increase of 12.4% (plus the rate peg) in 2019/20 to remain permanently in the rate base.
2. The funds raised from this Special Variation are to be dedicated to the proposed Drainage, Parks and Roads program; Olympic Park Master Plan projects; Entertainment and Conference 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.
3. An amount of \$60k be allocated to the 2018/19 budget for a community engagement program to facilitate consultation with the community in regard to a proposed application to IPART for a Special Variation.

[12 June 2018] 12.6 2018-2019 OPERATIONAL PLAN, BUDGET, REVENUE POLICY AND FEES AND CHARGES

290 RESOLVED on the motion of Crs Rush and Foy that:

1. The 2018/2019 Operational Plan, Budget and Fees & Charges be adopted and a further briefing be provided to Councillors in the next fortnight.
2. The Revenue Policy be amended and placed on public exhibition for 28 days.

[16 July 2018] 6.2 2017-2021 DELIVERY PROGRAM REVIEW

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

The revised 2017 - 2021 Delivery Program be adopted.

[11 September 2018] 12.1 2017-2021 DELIVERY PROGRAM REVIEW

89 RESOLVED on the motion of Crs Woodruff and Bailey that:

Council endorse the reviewed Delivery Program for public exhibition from 11 September 2018 to 9 October 2018.

[9 October 2018] 19.3 2017-2018-0275 - REGIONAL ENTERTAINMENT CONFERENCE CENTRE - PUBLIC EXHIBITION

129 RESOLVED on the motion of Crs Woodruff and Ledlin that:

1. Council Place all five tender submissions' concept designs on public exhibition for a minimum of 28 days.
2. A report be submitted to the Design Competition Assessment Panel about the feedback received from the community following public exhibition.

3. The Design Competition Assessment Panel then make a recommendation to Council on the preferred design.

[13 November 2018] 12.2 FINDINGS OF THE COMMUNITY PANEL - COMMUNITY ENGAGEMENT PROGRAM

151 RESOLVED on the motion of Crs Scholes and Foy that:

Council notes the recommendations made by the 2018 Muswellbrook Shire Community Panel.

[11 December 2018] 11.3 REVIEW OF STRATEGIC ASSET MANAGEMENT PLAN

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

Council endorses the reviewed Strategic Asset Management Plan for public exhibition from 12 December 2018 to 10 January 2019.

[11 December 2018] 12.4 2017-2021 DELIVERY PROGRAM REVIEW

186 RESOLVED on the motion of Crs Green and Woodruff that:

1. Council endorse the reviewed Delivery Program for public exhibition from 12 December 2018 to 10 January 2019.

2. An Extraordinary Meeting of Council be convened on 30 January 2019 to consider the adoption of the reviewed Delivery Program.

[11 December 2018] 19.6 2017-2018-0275 - REGIONAL ENTERTAINMENT CONFERENCE CENTRE - DESIGN COMPETITION PANEL RECOMMENDATION

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

1. Council not accept any tenders for Contract No: 2017-2018-0275A - Consultancy Services for Muswellbrook Regional Entertainment and Conference Centre, on the basis that all tenders departed from the concept design.

2. Council enter into negotiations with FJMT Pty Ltd with a view to entering into a contract in relation to Contract No: 2017-2018-0275A - Consultancy Services for Muswellbrook Regional Entertainment and Conference Centre as they had the highest panel ranking and public support.

3. Council award the winning design to FJMT Pty Ltd.

[19 December 2018 Corporate Policy and Planning Committee] 5.5 REVISED LONG TERM FINANCIAL PLAN

RECOMMENDED on the motion of Crs Bailey and Rush that:

Council endorse the reviewed 2019-20 to 2029-30 Long Term Financial Plan for a period of public exhibition of 28 days.

[30 January 2019] 7.3 REVIEW OF STRATEGIC ASSET MANAGEMENT PLAN

210 RESOLVED on the motion of Crs Bowditch and Scholes that:

Council adopts the revised Strategic Asset Management Plan.

[30 January 2019] 8.1 FINDINGS OF THE SPECIAL VARIATION COMMUNITY SURVEY

211 RESOLVED on the motion of Crs Rush and Scholes that:

1. Council notes the findings of the 2018 Muswellbrook Shire Community Survey, measuring community awareness of, and support for Council's 2019 application to IPART for the continuation of the 2018-2019 SRV.
2. Council resolves to make an application to the Independent Pricing and Regulatory Tribunal for the continuation of the Special Variation increase of 12.43% (plus the rate peg) in 2019/20 to remain permanently in the rate base.
3. The funds raised from this Special Variation are to be dedicated to the proposed Drainage, Parks and Roads Program; Olympic Park Master Plan projects; Entertainment and Conference 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.

[30 January 2019] 8.2 2017-2021 DELIVERY PROGRAM REVIEW

212 RESOLVED on the motion of Crs Woodruff and Green that:

The revised 2017 – 2021 Delivery Program be adopted.

[30 January 2019] 8.4 REVISED LONG TERM FINANCIAL PLAN

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

Council adopts the revised 2019-20 to 2029-30 Long Term Financial Plan.

[30 January 2019] 8.5 2018-2019 OPERATIONAL PLAN AMENDMENT

215 RESOLVED on the motion of Crs Green and Woodruff that:

The amended 2018-2019 Operational Plan be adopted.

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.

The council should quantify in dollar terms its past and future productivity improvements and cost savings and present these as a percentage of operating expenditure where possible.

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.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils (eg, it may provide trends for its operating expenditure as a percentage of population). We will make similar comparisons using various indicators and OLG data provided to us.

Over the past seven (7) years, Council has made a concerted effort to achieve ongoing improvements in its Operating Result. It has been successful in improving the General Fund's operating result from a deficit of -\$3.09m in 2010/11 to a surplus of \$3.7m for 2017/18. This has been achieved through a series of measures including:

- Financial and budgetary discipline in regard to expenditures.
- Careful investment in projects that have reduced ongoing operational costs.
- Diversification of Council's revenues, including investment in commercial properties that have allowed for the payment of an increasing and ongoing dividend.
- Increased revenues related to the 2018 expansion of thermal coal extraction driven by the recent increase in global demand.

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.

In 2016/17 and 2017/18 Council achieved approximately \$300,000 of annual efficiencies as a result of the introduction of an entirely new Planning and Regulatory Service team with increased capability; the creation of a new, in-house legal advisor position; the implementation of fibre optics to connect all satellite offices of Council and materially improve the speed of their applications; the introduction of online invoicing and online leave; and the recruitment of a Chief Financial Officer with increased capability.

In 2017/2018, in line with its *Fit for the Future* Improvement Plan, Council has continued with its review of business units including a Capacity Review of the Future Fund. The findings of the Capacity Review resulted in more focused debt and financial management, which is being implemented in 2018/19.

Over the last two financial years 2017/18 and 2018/19 Council has implemented the following productivity improvements and cost containment strategies, directing 1.0% of Operating Expenditure into long term sustainable productivity improvement. These strategies will achieve significant improvement to customer service, data and knowledge management and result in improved systems and system integration within a 2 to 3 year period.

Productivity improvements and cost containment strategies include the following:

- Capacity review of Development Assessment (DA) services in October 2017 followed by a reorganisation and restructure of Planning Department;
- Implementation of a new Information and Communications Technology (ICT) Strategy that will realise significant system and data management improvement over the next two years including online DA and a newly integrated service request system;
- Reorganisation and restructure of works and networks staff to create multiskilled operational teams to improve resilience and reduce reliance on overtime;
- Proactive Asset Maintenance program following risk assessment of critical infrastructure;
- Regular monitoring and reporting of business activity;
- Outplacement of an accountant to specific Council business units;
- Training program for staff members;
- Increasing operational efficiencies through the deployment of electronic devices in the field; and
- Commencement of a program of ongoing service reviews which will be rolled out on a continuous basis into the future.

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)	<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 (if available)	<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"/>
Other Attachments	
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input checked="" type="checkbox"/>
Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	<input checked="" type="checkbox"/>
Other (Refer to list of attached documents)	<input checked="" type="checkbox"/>

9 Certification

APPLICATION FOR A SPECIAL RATE 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 (name): Fiona Plesman

Signature and Date:

 . 8/2/19

Responsible Accounting Officer (name): Natalia Cowley

Signature and Date:

 8/2/19

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