



General Manager's Unit

G.01.6 *POTENTIAL SPECIAL RATE VARIATION*

RESPONSIBLE OFFICER: Steve Pryor - Interim General Manager

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PURPOSE

The purpose of this report is to consider a Special Rate Variation (SRV) Application to the Independent Pricing & Regulatory Tribunal (IPART) and the preferred Special Rate Variation Scenario.

RECOMMENDATION

That Council:

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

BACKGROUND

Council is required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005. In 2009 the Local Government Act was amended to create an Integrated Planning and Reporting (IP&R) requirement. A requirement under this framework is the production of a number of key documents, including the Community Strategic Plan (CSP), Delivery Program and Operational Plan.

Council undertook intensive Community Engagement during the preparation of the CSP 2027, Delivery Program 2017/2018-2020/2021 and the Operational Plan 2017/2018. Council is confident that these documents represent the Community Priorities of the Upper Hunter Shire. The Community Engagement for the CSP 2027 established that the Community wants to maintain the rural/country feel but would like increased and enhanced roads, Community facilities and revitalised town centres.

Special variations provide an opportunity for councils to vary general income by an amount greater than the annual rate peg.

IPART will assess and determine special variation applications by councils under powers delegated by the Minister for Local Government.

The Office of Local Government (OLG) establishes guidelines for applying for special variations. These guidelines set the criteria against which applications will be assessed and provide information on how and when to apply.

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The process for a Special Rate Variation was outlined at the Ordinary Council Meeting on the 25 September 2017 and Council resolved that:

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

On the 30 October 2017 Council resolved that:

1. endorse the following Special Rate Variation (SRV) scenarios as listed below for Community Engagement:
 - Option 1 Apply for a loan facility of \$8 million to fund part of Town Revitalisation projects to be repaid by a SRV at 2.1% plus rate pegging for 3 years with a low farmland SRV increase of 0.75% plus rate pegging for 3 years.
 - Option 2 Apply for a loan facility of \$10 million to fund all of town Revitalisation Projects to be repaid by a SRV at 2.6% plus rate pegging for 3 years with a low farmland SRV increase of 0.75% plus rate pegging for 3 years.
 - Option 3 Apply for a loan facility of \$12 million to fund all of Town Revitalisation and other Community Projects to be repaid by a SRV at 3% plus rate pegging for 3 years with a low farmland SRV increase of 0.75% plus rate pegging for 3 years.
 - Option 4 Apply for a loan facility of \$15 million to fund all of Town Revitalisation, Community projects and major road upgrades (\$3.0 mill) to be repaid by a SRV at 4% plus rate pegging for 3 years with a low farmland SRV increase of 1.25% plus rate pegging for 3 years.
2. endorse Special Rate Variation (SRV) Potential Projects List for Community Engagement.

The next part of the process is for Council to endorse or otherwise the preparation of an application to IPART for a Special Rate Variation.

The 2018/2019 Application Timetable is as follows:

Date	Outcome
15 December 2017	Notifications for Special Variation or Minimum Rate variation applications due to IPART
12 February 2018	Special Variation Applications due to IPART
12 March 2018	Minimum Rate Variation applications due to IPART
15 May 2018	Determinations announced for Special Variation and Minimum Rate Variations

A letter has been forwarded to IPART advising that Council may potentially be lodging an application for a Special Rate application and will confirm its intention or otherwise following this Council meeting.

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REPORT/PROPOSAL

This is the continuation of the project that focuses on the investigation into the potential preparation of an Application for a Special Rate Variation 2018/2019.

The focus of this report is for the endorsement or otherwise of an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special variation to General Income

The tasks are covered in Milestone 4 (SRV 2018/2019 Project Brief endorsed by Council 25 September 2017) of this project and are detailed below:

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

Tasks include:

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

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

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

The potential projects list and the Financial Scenario's (endorsed by Council 30 October 2017) were the basis of the Community Engagement. The scenarios are as follows:

- | | |
|------------|--|
| Scenario 1 | Apply for a loan facility of \$8 million to fund part of Town Revitalisation projects to be repaid by a SRV at 2.1% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging. |
| Scenario 2 | Apply for a loan facility of \$10 million to fund all of town Revitalisation Projects to be repaid by a SRV at 2.6% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging. |
| Scenario 3 | Apply for a loan facility of \$12 million to fund all of Town Revitalisation and other Community Projects to be repaid by a SRV at 3% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging. |
| Scenario 4 | Apply for a loan facility of \$15 million to fund all of Town Revitalisation, Community projects and major road upgrades (\$3.0 mill) to be repaid by a SRV at 4% plus rate pegging with a low farmland SRV increase of 1.25% plus rate pegging. |
| Scenario 5 | Do not apply for a SRV increase. |

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



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

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

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

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

Community Engagement Results

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

Merriwa Pop-up

Total Community Responses – 23

Yes – 17

No - 1

Comments only – 5

Yes and No- 0

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

Murrurundi Pop-up

Total Community Responses – 35

Yes – 15

No – 15

Comments Only – 3

Yes and No – 2



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

Scone Pop-up

Total Community Responses – 13
Yes – 11
No – 2
Comments Only – 0
Yes and No – 0

Supportive of current list.

Moonan Flat Pop-up

Total Community Responses – 5
Yes – 1
No – 0
Comments Only – 4
Yes and No – 0

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

Aberdeen Pop-up

Total Community Responses – 21
Yes – 8
No – 13
Comments Only – 0
Yes and No – 0

Not supportive of the SRV or projects list.

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

Total Community Responses – 29
Yes – 13
No – 15
Comments Only – 1
Yes and No – 0

Overall Community Engagement SRV Results

Total Community Responses – 126
Yes – 65
No – 46
Comments Only – 13
Yes and No – 2

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It is not ideal that the total number of submissions is only 126. It would be preferable to be basing a decision on whether Council should submit an application to IPART on a larger sample size. The effort made to engage with the Community is not reflected in the number of submissions received. The potential SRV information was communicated widely and there was a 10 week timeframe for Community members to submit feedback.

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

Due to a combination of the CSP 2027 Engagement and the majority of yes submissions at 65, the recommendation is that an application to IPART for a Special Rate Variation be submitted for the following Scenario:

Apply for a loan facility of \$15 million to fund all of Town Revitalisation, Community projects and major road upgrades to be repaid by a SRV at 4% plus rate pegging at 2.3% for 3 years with a low farmland SRV increase of 1.25% plus rate pegging at 2.3%.

Application made under section 508A and is a permanent increase to its general income. Permanent Special Rate Variation at 6.30% in 2018/19, 6.30% in 2019/20 and 6.30% in 2020/21 (inclusive of Rate Peg).

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

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

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

OPTIONS

1. Endorse an application to IPART for a Special Rate Variation for the following scenario:

Apply for a loan facility of \$15 million to fund all of Town Revitalisation, Community projects and major road upgrades to be repaid by a SRV at 4% plus rate pegging at 2.3% for 3 years with a low farmland SRV increase of 1.25% plus rate pegging at 2.3%.

2. Endorse an alternate Special Rate Variation (SRV) scenarios as listed below:

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- Scenario 1 Apply for a loan facility of \$8 million to fund part of Town Revitalisation projects to be repaid by a SRV at 2.1% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging.
- Scenario 2 Apply for a loan facility of \$10 million to fund all of town Revitalisation Projects to be repaid by a SRV at 2.6% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging.
- Scenario 3 Apply for a loan facility of \$12 million to fund all of Town Revitalisation and other Community Projects to be repaid by a SRV at 3% plus rate pegging with a low farmland SRV increase of 0.75% plus rate pegging.
3. Confirm that Council will not pursue a Special Rate Variation for 2018/2019 and that an application will not be submitted to IPART.

CONSULTATION

Councillors, General Manager, Directors, Finance Manager and relevant Managers have been consulted in the preparation of this report.

STRATEGIC LINKS

a. Community Strategic Plan 2027

This report links to the Community Strategic Plan 2027 as follows:

LEADERSHIP

- Goal 8 Provide Community Leadership
- CS30 Effectively and efficiently manage the business of Council, while encouraging an open and participatory Council with an emphasis on transparency, Community engagement, action and response.
- CS34 Community is effectively engaged, can provide opinion and contribute to decisions that plan for the present and future of the Upper Hunter Shire.

We are working to achieve the following Community Priorities:



Upper Hunter Shire Council is an effective and efficient organisation, focusing on community engagement, action and response.



Upper Hunter Shire Council demonstrates it is Fit for the Future and can meet all State Government indicators for financial stability.

b. Delivery Program

In the General Management Activity this relates to:

- Support for the Mayor and Councillors to fulfill their respective roles.
- Lead the Integrated Planning and Reporting Framework.
- Lead Council operations and Council wide continuous improvement.



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In the Financial Services Activity this relates to:

- Ensure that Council and statutory reporting requirements are adhered to.
- Ensure "Fit for the Future" benchmarks and any improvement program instigated is maintained for Council's financial sustainability.

c. Other Plans

This will link directly to the IP&R Framework in particular the Resourcing Strategy.

Council has met its requirements to date consistent with the IP&R Framework and will revise required documents as needed through this process.

IMPLICATIONS

a. Policy and Procedural Implications

Council has met its requirements to date consistent with the IP&R Framework and will revise required documents as needed through this process.

b. Financial Implications

A part of the process will include the analysis of the financial impact for the Baseline Scenario and Special Variation Scenarios in the Long Term Financial Plan.

c. Legislative Implications

Legislative responsibilities will be met consistent with the planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005.

d. Risk Implications

Process will be followed consistent with the Office of Local Government Guidelines for the Preparation of an Application for a Special Variation to General Income and the Integrated Planning and Reporting (IP&R) framework to minimise risks.

e. Other Implications

Nil

CONCLUSION

That Council endorse an application to IPART for a Special Rate Variation based on one of the Scenarios or confirm that an application will not be submitted to IPART and that the process will not continue at this time.

ATTACHMENTS

There are no enclosures for this report



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RESOLVED that Council:

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

Moved: Cr M Collison

Seconded: Cr K Fisher

CARRIED

The **DIVISION** was taken and the names of the Councillors voting FOR and AGAINST were as follows:

FOR	AGAINST
Councillor Bedggood	Councillor Driscoll
Councillor Brown	Councillor Watts
Councillor Burns	
Councillor Campbell	
Councillor Collison	
Councillor Fisher	
Total (6)	Total (2)