

# Upper Hunter Shire Council

## Special Rate Variation (SRV) 2018/2019

### 1 PROJECT BRIEF

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#### **Title of Project:**

Potential Preparation of an Application for a Special Rate Variation (SRV) 2018/2019

#### **Category of Project:**

- ✓ Key Project (Major Project)
- Divisional Project (Substantially undertaken within a division)
- Cross Organisational Project (Recurrent Corporate Project)
- Other

#### **Project Background**

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

The Independent Pricing and Regulatory Tribunal (IPART) will assess and determine special variation applications by councils under powers delegated by the minister for Local Government.

The Office of Local Government 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.

The OLG has advised that the Guidelines for the Preparation of an Application for a Special Variation to General Income for 2018/2019 are likely to be similar to the 2017/2018 Guidelines.

Council will need to base our approach on the 2017/2018 Guidelines as the 2018/2019 Guidelines will not be released until around the 15 December 2016.

The timetable for 2018/2019 will also be similar to the 2017/2018 timetable below:

<b>Outcome</b>	<b>Date</b>
OLG Guidelines released	15 December 2016
Notification of Council's intention to apply for a special rate variation or minimum rates increase	16 December 2016
Application for Special Variation due	13 February 2017
Applications for minimum rate increases due	13 March 2017
Determinations released for Special variation and minimum rate increase applications	16 May 2017

There are two special variation options under the Local Government Act 1993. When seeking a special variation, councils may apply under section:

- **508A** Successive annual percentage increases over a period of between 2 and 7 years under section 508A. These may be either permanent or temporary.
- **508(2)** A single year percentage increase under section 508(@) that may be either permanent or temporary.

### **Project Description (overview of project and key milestones):**

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

The key stages and tasks of the Program will include:

#### Milestone 1: Initial Program Research, Review and Planning

Tasks include:

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

#### Milestone 2: Initial Assessment Criteria Identification and Achievement

Tasks include:

- Identify criteria against which IPART is to assess SRV application;
- Develop Councillor information and undertake workshop;
- To request Council endorse the process to pursue a potential SRV in 2018/2019 and to engage with the Community (Council Meeting September 2017);
- Complete and request Council endorse Community Engagement Strategy – Special Rate Variation (Council Meeting September 2017);
- Identify additional tasks required, including potential review of the Delivery Program.
- Complete the following tasks to achieve the initial assessment criteria, to allow Council to pursue a SRV in 2018/2019, as follows:
  - Finalise Long Term Financial Plan;
  - Finalise Workforce Plan;
  - Finalise Asset Management Plan's;
  - Develop a Community Engagement Strategy – Special Rate Variation.

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

Tasks include:

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

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

Tasks include:

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

### Assessment Criteria for special variations

The criteria against which IPART is to assess each application are based on what councils are required to do under Integrated Planning and Reporting (IP&R). The criteria for 2018/2019 will be similar to the 2017/2018 rating year and are:

Criteria	Status of Achievement/Follow-up
<p>1.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&amp;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&amp;R documents should canvas 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:</p> <ul style="list-style-type: none"> <li>• Baseline Scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• CSP 2027 complete and reflects need for potential SRV application.</li> <li>• Delivery Program, partially reflects the need for and purpose of a different revenue path but needs to be amended and strengthened.</li> <li>• The Long Term Financial Plan needs to establish the need for the special variation and the financial impact of the following two/three scenarios: <ul style="list-style-type: none"> <li>- Baseline Scenario; and</li> <li>- Special Variation Scenario’s.</li> </ul> </li> <li>• In the Long Term Financial Plan and Delivery Program look at Council resourcing alternatives, including but not limited to: <ul style="list-style-type: none"> <li>- The potential sale of Council owned vacant land.</li> <li>- Rate shift in notional rates for Farmland.</li> </ul> </li> <li>• The Community Engagement for the CSP 2027 established that the Community wants to maintain the</li> </ul>

<p>Evidence to establish this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include the assessment of the council's financial sustainability conducted by the NSW Treasury Corporation.</p>	<p>rural/country feel but would like increased and enhanced roads, Community Facilities and revitalised Town Centres. The next round of Community Engagement will need to assess the Community need/desire for particular service levels/projects.</p>
<p>2. Evidence that the Community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.</p>	<ul style="list-style-type: none"> <li>• Build on the Community Engagement carried out as part of the CSP 2027.</li> <li>• Develop a Community Engagement Strategy Special Rate Variation (SRV)</li> <li>• Implement Strategy and assess the Community need/desire for particular service levels/projects.</li> </ul>
<p><b>3.</b> The impact on affected rate payers 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:</p> <ul style="list-style-type: none"> <li>• Clearly show the impact of any rate rises upon the community;</li> <li>• Include the council's consideration of the community's capacity and willingness to pay rates; and</li> <li>• Establish the proposed rate increases are affordable having regard to the community's capacity to pay.</li> </ul>	<ul style="list-style-type: none"> <li>• Finance to provide figures showing impact of rate rise on the Community.</li> <li>• Finance to show Community's capacity to pay increased rates.</li> <li>• Engage Community on willingness to pay increased rates.</li> <li>• Finance to show if rate increase is affordable to the Community.</li> </ul>
<p>4. The relevant IP&amp;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 income.</p>	<ul style="list-style-type: none"> <li>• CSP 2027 exhibited and adopted by Council</li> <li>• Delivery Program 2017/2018-2020/2021 exhibited and adopted.</li> <li>• The following needs to be finalised and adopted by Council:</li> </ul>

	<ul style="list-style-type: none"> <li>- Long Term Financial Plan</li> <li>- Finalise Workforce Plan;</li> <li>- Finalise Asset Management Plan's</li> <li>• Amend Delivery Program to reflect Long Term Financial Plan</li> </ul>
5. 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.	<ul style="list-style-type: none"> <li>• Cost Containment Strategies implemented by Finance – Summary required of strategies implemented and planned.</li> <li>• Productivity Improvements – Summary of past improvements and planned Service Improvement Project.</li> </ul>
6. IPART's assessment of the matters set out in Section 5 of the Guidelines	

It should be noted:

Smaller councils that have limited resources with which to prepare an application or councils that are considering a very small increase should still consider applying.

IPART is required to consider the assessment criteria and the level of information required in relation to the particular circumstances of individual councils. Generally the application of evidence required is to be in keeping with the scale of variation sought.

Councils are encouraged to contact IPART early in its application process, to discuss the information requirements for its particular circumstance.

### **Project Scope (What does the project cover/not cover?)**

This Project will progress the potential Application for a Special Rate Variation (SRV) 2018/2019. The process will be carried out consistent with the Guidelines.

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.

For Council to consider a potential application for a Special Rate Variation in 2018/2019, the Community Engagement will be taken a step forward and it must be determined if 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.

Refer to the Project Description in this Project Brief, which details the key milestones and the Community Engagement Strategy Special Rate Variation 2018/2019 which outlines the Community Engagement approach.

### **Deliverables (What will be the final product?)**

- Initial bundle to Council meeting on the Monday 27 September to gain Council endorsement to pursue potential application for a Special Rate Variation and engagement of our Community;
- Community Engagement Strategy – Special Rate Variation 2018/2019;
- Council Report to Council meeting October 2017 to endorse or amend proposed Baseline and Special Variation Scenario's and a SRV Project List for use in the Community Engagement
- Completed Resourcing Strategy – Long Term Financial Plan, Workforce Management Plan and Asset Management Planning reflecting Baseline and Special Variation Scenario.
- Amended Delivery Program 2017/2018-2020/2021
- Community Engagement Summary Report – Outlining Community's position
- 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
- Application to IPART for an Application for a Special Variation to General Income for 2018/2019

### **Project Duration (Approximate date of commencement and conclusion)**

August 2017 – June 2018 (Determinations released by IPART for Special variation applications in May 2018)

## 2 PROJECT PLAN

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### Project Duration

Project Start Date	Project End Date
September 2017	June 2018

### Project Responsibility

**Project Owner:** General Manager and Director Operations

**Project Responsibility:** Corporate Planner

#### Key Staff:

Finance Manager

Manager Works Delivery

Manager Strategic Assets

Manager Special Projects

Manager Business Enterprise and Tourism

Communications

Customer Service

### Who will be consulted/engaged?

#### Council/Internal

Councillors

Executive

All staff



## **Community**

Whole Community

The approach for engaging the community will be outlined in the Community Engagement Strategy – Community Strategic Plan 2017.

### **Ethical Considerations:**

To be determined.

### **Risks to be managed:**

To be determined.

### **Key Project Phases/Milestones:**

The key stages of the Program will be incorporated into project brief if Council endorses continuation of project.

<b>Description of Key Milestone</b>	<b>Anticipated Date of Completion</b>
Milestone 1: Initial Program Research, Review and Planning	August 2017 – October 2017
Milestone 2: Initial Assessment Criteria Identification and Achievement	September 2017- October 2017
Milestone 3: Community Engagement Strategy Special Rate Variation (SRV) – Development and Implementation	September 2017 – June 2018
Milestone 4: Preparation of an Application for a Special Rate Variation (SRV) to General Income for 2018/2019	December 2017 – May 2018