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| Special Variation Application Form – Part B  For 2017-18  Issued December 2016 |
| Muswellbrook Shire Council  10 February 2017  Fiona Plesman  XXXXXXXXXXXXXXXXXXXXXX  XXXXXXXXXXXXXXXXXXXXXX |

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# 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 for 2017/2018* (the [Guidelines](http://www.olg.nsw.gov.au/sites/default/files/Guidelines%20for%20the%20Preparation%20of%20an%20Application%20for%20a%20Special%20Variation%20to%20General%20Income%20for%202017-2018.pdf)). Councils should refer to these Guidelines before completing this application form.

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

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

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

As outlined in the Guidelines, new councils created in 2016, or councils whose merger proposals are pending due to legal proceedings, will be ineligible for special variations for the 2017-18 rating year.

## 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](https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase).

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.

## 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 16 December 2016.

**Any councils that did not notify but intend to apply for a special variation for 2017-18 should contact us as soon as possible.**

Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/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 13 February 2017.**

The [User Guide](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

* Arsh Suri - [Arsh\_Suri@ipart.nsw.gov.au](mailto:Arsh_Suri@ipart.nsw.gov.au) or 02 9113 7730
* Himali Ardestani - [Himali\_Ardestani@ipart.nsw.gov.au](mailto:Himali_Ardestani@ipart.nsw.gov.au) or 02 9113 7710.

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. 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.

Hardcopy of application

We ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing to supporting documents) to the following address by **Monday 13 February 2017**:

**Local Government Team**  
The Independent Pricing and Regulatory Tribunal  
PO Box K35

Haymarket Post Shop NSW 1240

or

Level 15, 2-24 Rawson Place, Sydney NSW 2000.

# Preliminaries

## Focus on Integrated Planning and Reporting

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

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

## Key purpose of special variation

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

|  |  |
| --- | --- |
| Maintain existing services |  |
| Enhance financial sustainability | 🞫 |
| Environmental services or works |  |
| Infrastructure maintenance / renewal |  |
| Reduce infrastructure backlogs |  |
| New infrastructure investment | 🞫 |
| Other (specify) |  |

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

**RESPONSE**

Muswellbrook Shire Council resolved to apply to IPART under the Local Government Act 1993 Section 508A for a for a permanent special rate variation of 4% for 2017/2018; 5% for 2018/2019; 5% for 2019/2020; 5% 2020/2021 to finance the development of three key community projects:

* Muswellbrook Regional Aquatic Centre (Stage 3)
* Denman Town Centre Master Plan
* Muswellbrook Regional Convention and Performance Centre.

While Council was assessed as Fit for the Future, in its Improvement Plan, it flagged that the traditional reliance on the thermal coal mining industry for economic activity and employment by the Shire is facing an increasingly uncertain future. Council and its community is determined to actively transition the Shire from a reliance on a single industry sector. Council’s plans in this regard closely align with *Direction 5: Transform the productivity of the Upper Hunter in the Hunter Regional Plan 2036 – Implementation Plan 2016-18.*

Council firmly believes that these key projects, prioritised in consultation with its community, will act as catalysts to strengthen the viability, stability and liveability of its residents and contribute to the ongoing building of economic diversity and resilience by supporting new and enhanced liveability and economic infrastructure to support the growth of the Shire as a Regional centre.

It also aims to develop Muswellbrook as a regional centre (Community Strategic Plan (CSP) Goal 4). “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.

The development of Muswellbrook as a Regional centre has been identified as a priority by the NSW Government in the Hunter Region Plan 2036.

Muswellbrook Shire Councillors were elected in September 2017; their first ordinary meeting as a Council body was in October; and, they participated in a strategic planning workshop weekend in November.

Councillors were informed of the formal consultation program that had been undertaken during the previous twelve months, which included consideration of the: Muswellbrook Town Centre Strategy, Denman Town Centre Master Plan, revised Local Environmental Plan (LEP), Listening Posts and community forums.

The community’s focus on jobs, economic diversification and resilience, increased liveability and an emergence as a Regional Centre has been borne out in Council’s extensive and diverse consultation practices over the last twelve months.

This, combined with each Councillor’s direct interaction with the community – both as a community member and as a candidate in the lead up to their election in 2016, informed their support to make an application to IPART for a permanent special rate variation of 4% for 2017/2018; 5% for 2018/2019; 5% for 2019/2020; 5% 2020/2021. Councillors concluded that the identified key projects – the Muswellbrook Regional Aquatic Centre and Gym, the Denman Town Centre Master Plan and the Muswellbrook Regional Convention and Performance Centre - were integral to Muswellbrook’s ability to transition into a Regional Centre; an aspiration also identified in community feedback.

Some projects, such as the Aquatic Centre (Stage III), have been the focus of public consultation and support over a period of years. The dilapidated and deteriorating 87-year old swimming pool requires urgent major works or replacement – its upkeep represents a substantial burden on Council’s finances; in response, Council has undertaken a series of community engagement events to develop a concept plan for an expanded Regional facility in line with modern standards and expectations. Councillors subsequently determined that the proposed rate increase will permit the development of these improvements and provide significant recreational benefits to the community and increase visitor numbers to Muswellbrook.

Council gave serious consideration to all its possible revenue sources in regard to the funding of these regional projects, including the reallocation of funding away from other existing activities and services, review of the fees and charges levied on specific users of the community facilities, the appropriate use of debt and cash reserves or the possible application for a Special Rate Variation.

In December Council resolved to lodge an application to IPART for the SRV.

Council has prepared a Delivery Program based around achieving the Goals in the Community Strategic Plan and the three key strategic projects identified with the community. The Delivery Program Budget is based on the 2 scenarios posed during community consultation, the second scenario models the Special Rate Variation application being accepted however it should be noted that the figures and allocations in Councils Long Term Financial Plan and 4 year Delivery Program budget are subject to change on an annual basis as the Council responds to change and varying demands.

[**13 December 2016**] 12.7 SPECIAL RATE VARIATION EXPRESSION OF INTEREST

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

1. Council endorse the lodgement with the Independent Pricing and Regulatory Tribunal of its expression of intention to make application for a Special Rate Variation.

2. Council endorse an allocation of $60,500 from unrestricted cash for the purpose.

At the same time Council resolved to place the Recreation Needs and Management Study on public exhibition. This study included the concept of the Muswellbrook Regional Aquatic Centre and Gym.

[**13 December 2016**] 19.3 RECREATION NEEDS AND MANAGEMENT STUDY

177 RESOLVED on the motion of Crs McNeill and Green that Council:

1. Place the Draft Recreation Needs and Management Study on public exhibition from 16 December 2016 to the 3 February 2017; and

2. A report be submitted to Council following public exhibition.

3. A brief commentary be including with the exhibited documents from Council noting that Council also looks forward to receiving community feedback with respect to the following further recreation facilities:

a) the renewal or replacement of the Muswellbrook 50m outdoor Pool

b) A further upgrade of the aquatic centre to include children’s interactive wet area.

c) A mountain bike track

d) Additional play elements catering to 0-5 year olds in the existing parks

An extra-ordinary meeting held in the same month endorsed the draft Muswellbrook Town Centre Strategy and specified that it should be an important consideration in Council’s IP&R documents.

[**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.

Following on from this resolution, Councillors also resolved that business plans should be developed for two of the major projects to be funded by the proposed SRV.

[**21 December 2016**] 7.2 PRELIMINARY BUSINESS CASE - REGIONAL CONVENTION AND PERFORMANCE CENTRE

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

A Capital Expenditure Review be completed for the project.

[**21 December 2017**] 7.3 PRELIMINARY BUSINESS CASE - MUSWELLBROOK REGIONAL AQUATIC CENTRE AND GYM

192 RESOLVED on the motion of Crs Green and Reynolds that Council:

1. ADOPT the Preliminary Business Case; and

2. That a Capital Expenditure Review be completed for the project.

## 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 |

# Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

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

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

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

*Evidence could also include the assessment of the council’s financial sustainability conducted by the NSW Treasury Corporation.*

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.

## Case for special variation - community need

Summarise and explain below:

* How the council identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
* How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
* Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
* How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council’s Long Term Financial Plan forecasts.

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

**RESPONSE**

**How Council identified and considered the community’s needs and desires and arrived at the three projects which are the subject of the SRV application**

Muswellbrook Shire Council has undertaken its most comprehensive community engagement program to date the details of which is set out in sections 4.1 and 4.2.

Part of the community engagement included a telephone survey which occurred in August 2016 in order to help inform the strategic planning of the incoming Council.

In October and November, councillors attended a number of strategic planning workshops culminating in a two day strategic planning weekend. Councillors weighed up a number of matters in considering the exhibition of a draft community strategic plan for community feedback, this included:

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

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

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

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

As set out in the CSP, community feedback has indicated strong concern about job losses associated with the reversal in the long term economic projections for traded thermal coal. Undoubtedly, the recent closure of Drayton Coal in November 2016 has had a substantial impact on local employment.

Council chose the three ‘optional’ projects associated with the SRV because it believes that the projects:

1. best deal with the two remaining community priorities (having already dealt with the priority the community gave to roads in the core funding in the IPRF documents). The two principle remaining areas were jobs and more youth activity;
2. were the projects most integrated with Regional priorities set by the State Government;
3. achieved multiple outcomes or priorities – the performance venue, for example, will improve activities for local youth as well as generate jobs, stimulate private sector redevelopment of Muswellbrook’s Town Centre and improve the liveability of the Town Centre.

On the convention and performance space project, Council was particularly impressed by the opportunities to unlock private sector investment. Private sector businesses had, in submissions made during the Town Centre Masterplan work, indicated that significant investment by Council in the Main Street would encourage them to better connect the Muswellbrook Marketplace with the Main Street as depicted in the following pictures:

Figure 1: Image received as part of a submission during the Town Centre Masterplan exhibition showing a proposal to connect the Marketplace to the Bridge Street (Muswellbrook’s Main Street)

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Figure 2: Image received as part of a submission during the Town Centre Masterplan exhibition showing how the Marketplace would present to Bridge Street (Muswellbrook’s Main Street)



Council believes that the Aquatic Centre upgrades will greatly enhance youth amenities for children and better gear the aquatic centre to meet the demands of the community moving forward.

The Denman Main Street Masterplan is designed to encourage traffic, particularly ‘grey nomads’ to enter Denman from the Golden Highway as well as increase the safety and amenity of the Main Street for locals.

**How the decision for a special rate variation was arrived at**

The previous Council, as part of its Fit for the Future submission, noted that its rating was low compared to comparable Councils and left the door open to a rate rise for new projects if there was general community support:

“Council would consider as an option and in consultation with community, making application for a Special Rate Variation to fund any new infrastructure identified by the community”.

The new Council were particularly concerned about the jobs issue and the need to diversify the Shire’s economic base, stimulate retail growth and invigorate Main Street activity.

Council’s response to the desire for the three projects considered a range of funding sources including grants, planning contributions, existing general revenues, user fees, loans, reserves, and a special rate variation. In the end,

Council considered that a mix of funding sources was desirable including a special rate variation.

As noted elsewhere, approximately half of the total funding for the three projects comes from planning contributions and existing revenues. Council believes that the projects will deliver outcomes consistent with the targeted outcomes of existing funding streams. The use of voluntary planning agreements from the coal industry, for example, is targeted to the diversification of the Shire’s economic base and improve the amenity and liveability of the Shire which is surrounded by open cut coal mines.

Existing funding streams for improving car-parking outcomes and Main Street improvement outcomes are also budgeted to the three projects because of the integrated way by which the projects will meet the outcomes targeted by those funding streams. User fees and charges are expected to be raised by two of the three projects but are expected to offset operational rather than capital costs. The charges will be heavily constrained by the market which will determine the appropriate fees structure and it is not anticipated that the user fees and charges will recover more than a small proportion of the overall cost of the projects.

Council has also included an allowance of $3m for grants for the projects noting that Regional grants are extremely competitive and the overall funding for grants particularly by the State Government has diminished substantially over the last few years.

Council particularly considered that the use of rates was appropriate given the wider anticipated benefits of the projects – particularly to economic stimulus to the development of the main streets and businesses. As noted by consulting firm Morrison Low, commissioned to review Councils 2017-2027 Long Term Financial Plan found “*Without an SRV the Council could not afford to embark on the proposed programme of new and enhanced community assets and remain sustainable*.”

For that reason an SRV for part of the project was arrived at. Council has, however, noted that for intergenerational equity reasons, it is appropriate to spread the cost over a number of years by the use of loan funds repaid by the anticipated rate increase.

It was also noted that Muswellbrook Shire residents pay the second lowest rate levels in the Hunter next to Upper Hunter Council (which is $50pa lower). A comparison with other Hunter Councils, shows Muswellbrook Shire Council’s residential rates are relatively low – average residential rates for Hunter residents in 2014/15 were $917.96 compared to Muswellbrook’s $722.76.

**What other projects did Council consider?**

As noted, Councillors considered a range of projects for prioritisation under its IPRF documents. Core infrastructure projects for roads, utility services and other other key infrastructure as detailed in Council’s asset management planning were prioritised for funding. Other key projects, such as the upgrade of Council’s information technology systems have also been prioritised and funded from Council’s existing revenue streams. Other projects that had some priority – such as the relocation of the Council back into the Main Street, were considered by Council and not included. In that particular case, Council considered that any such move would need to be funded by the sale of existing assets associated with the present Council administration building.

The three projects, which are the subject of this application, are Council priorities but are things that Council believes the community needs but can’t achieve through its existing revenues. So Council decided to ask the community what whether it is prepared to pay an increase in rates to fund the projects.

**Do the projects impact upon Council’s Long Term Financial Plan?**

No, Council remains financially sustainable whether or not IPART approves the application.

## 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.

**RESPONSE**

Muswellbrook Shire Council is financially sustainable. It is able to achieve a positive operating performance ratio and meet the benchmarks for the key asset ratios over the term of the LTFP 2017-2027 (Morrison Low 7/2/17). The proposed special variation is intended to fund specific projects to improve viability and liveability as a future Regional Centre. Council has employed sound financial management through a disciplined approach, as reflected in

Council’s positive assessment as Fit for the Future.

2016/17 produced a balanced budget and the forecast is that Council will have the capacity to maintain current service levels with current modelling (without SRV), however, in order to develop the three projects supported by the community: Regional Convention and Performance Centre; Regional Aquatic Centre; and implementation of the Denman Town Centre Masterplan, the SRV is necessary.

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

Council’s Long Term Financial Plan (LTFP) 2017-2027 highlights the uncertainty of Council’s financial position in the medium-longer term due to uncertainty in the coal industry; Muswellbrook is heavily reliant on this industry for revenue and employment.

The SRV will allow Council to deliver on additional key community projects in the short-medium term, while providing stronger financial sustainability into the long term, as the Shire transitions away from its reliance on mining revenue (which is under threat economically).

Council has maintained a disciplined approach to financial management over the last eight years to continually improve its Operating Result. It has achieved this through strong controls on operating expenditure and through the addition of new revenues such as those related to coal mining activities, through the creation of a Commercial arm that has enabled the payment of ongoing dividends to the General Fund and through the implementation of the principles necessary to allow Council’s Water and Sewer funds to pay a dividend to the General Fund.

The ongoing positive impact of these actions in the Operating Result have been invested in Capital Renewal and Replacement programmes and in establishing facilities that are geared around shifting the emphasis of the local economy away from coal mining and toward other opportunities, especially around education.

As a result of these efforts, Council’s modelling predicts that without any great changes in regard to its ongoing Operating and Capital Revenue and Expenses that it can achieve ongoing Operating Surpluses and continue to fund an appropriate level of Infrastructure Replacement and Renewal works. The modelled Operating Results and Infrastructure Replacement and Renewal Ratios for the period 2017/18 to 2026/17 are included in the table below.

**Operating Results and Infrastructure Replacement and Renewal Ratios NO SRV**

|  |  |  |
| --- | --- | --- |
| **Year** | **Operating Ratio before Grants and Contributions for Capital Purposes** | **Infrastructure Replacement and Renewal Ratio** |
| 2017/18 | - 1.36% | 107.0% |
| 2018/19 | 1.04% | 172.0% |
| 2019/20 | 1.62% | 101.0% |
| 2020/21 | 1.54% | 101.0% |
| 2021/22 | 1.28% | 101.0% |
| 2022/23 | 0.87% | 100.0% |
| 2023/24 | 0.58% | 100.0% |
| 2024/25 | 0.53% | 101.0% |
| 2025/26 | 0.47% | 100.0% |
| 2026/27 | 0.41% | 101.0% |

In addition to this, Council holds significant Current Assets in relation to its General Fund ($19.5 in Cash Reserves and $6.5M in Accounts Receivable as at 30 June 2016) and a low level of debt outstanding ($6.40M as at 30 June 2016). This provides the General Fund with a large degree of flexibility in terms of being able to borrow or to use cash reserves in order to invest in either infrastructure replacement and renewals or in activities designed to achieve further improved operating results. The current modelling allows Council to not only meet these important ratios but also to:

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

It should be noted that Council has established a Future Fund. This fund is accounted for in the same manner as the Water and Sewer Funds. For some purposes (such as this application) this fund would be considered to be part of the General Fund in terms of reporting however, this commentary reflects only the General Fund as Council’s modelling indicates that the Future Fund is sustainable without the assistance of General Fund and in fact, as outlined above, makes a significant contribution to the ongoing financial sustainability of the General. Council is of the view that the Future Fund is sustainable in and of itself and the focus of the application should on the General Fund itself.

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

To conclude, Council’s current financial situation is currently very sound and the modelling undertaken indicates that its will remain so in the absence of the Special Rating Variation applied for. However, the aim of the application is to allow Muswellbrook to position itself as a Regional centre for the Upper Hunter of New South Wales and it is this current soundness in its financial position that allows Council to propose the projects that are outlined in the application.

The main impact of the proposed SRV in terms of financial sustainability is that it allows Council to maintain the current levels of financial sustainability that have been outlined above while still being able to add to the amenity of the Shire and enhance its ability to act as a Regional centre. The modelling shows that should the application be successful and the proposed projects linked to the variation are developed, Council achieves the followings results:

**Operating Results and Infrastructure Replacement and Renewal Ratios WITH SRV**

|  |  |  |
| --- | --- | --- |
| **Year** | **Operating Ratio before Grants and Contributions for Capital Purposes** | **Infrastructure Replacement and Renewal Ratio** |
| 2017/18 | 0.99% | 99.0% |
| 2018/19 | 1.79% | 168.0% |
| 2019/20 | 2.68% | 109.0% |
| 2020/21 | 1.98% | 102.0% |
| 2021/22 | 1.07% | 100.0% |
| 2022/23 | 0.26% | 100.0% |
| 2023/24 | 0.26% | 105.0% |
| 2024/25 | 0.36% | 100.0% |
| 2025/26 | 0.42% | 102.0% |
| 2026/27 | 0.47% | 101.0% |

It can be seen that under the proposed special variation, Council continues to achieve a strong level of sustainability achieving ongoing Operating Surplus and while being able to replace and renew assets as they deteriorate. Although the Renewal Ratio does fall below the preferred 100% in some of the middle years of the modelled period, it can be seen that this shortfall is comfortably restored in the later years. In addition to this, this model proposes ongoing increases in the balance of cash available to Council (again in the later years) and this may allow future Council’s to further increase the level of renewal and replacement spending and thereby further improve this ratio.

The modelling would suggest that, were the application to be successful, Council would be able to implement the community’s hoped for projects.

## Financial indicators

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

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

**RESPONSE**

In the preparation of this application, Council has been cognisant of the need to maintain its current level of financial sustainability while still being able provide the new and enhanced facilities discussed in this application. As such, it is shown in the following tables comparing a range of results and ratios calculated assuming both the scenarios inherent in a successful and unsuccessful application that there exists little difference between the two in terms of financial sustainability. The major ratios for comparison are listed below:

**Operating Balance Ratio**

|  |  |  |
| --- | --- | --- |
| Year | Without Funds Generated by the Special Rating Variation | Including Funds Generated by the Special Rating Variation |
| 2017/18 | - 1.36% | 1.07% |
| 2018/19 | 1.04% | 1.72% |
| 2019/20 | 1.62% | 101.0% |
| 2020/21 | 1.54% | 101.0% |
| 2021/22 | 1.28% | 101.0% |
| 2022/23 | 0.87% | 100.0% |
| 2023/24 | 0.58% | 100.0% |
| 2024/25 | 0.53% | 101.0% |
| 2025/26 | 0.47% | 100.0% |
| 2026/27 | 0.41% | 101.0% |

**Own source revenue (benchmark above 60%)**

|  |  |  |
| --- | --- | --- |
| Year | Without Funds Generated by the Special Rating Variation | Including Funds Generated by the Special Rating Variation |
| 2017/18 | 74.1% | 74.2% |
| 2018/19 | 78.3% | 78.4% |
| 2019/20 | 78.6% | 76.9% |
| 2020/21 | 78.8% | 77.3% |
| 2021/22 | 78.9% | 77.6% |
| 2022/23 | 78.8% | 79.6% |
| 2023/24 | 78.7% | 79.5% |
| 2024/25 | 78.7% | 79.5% |
| 2025/26 | 78.6% | 79.5% |
| 2026/27 | 78.6% | 79.5% |

**Own Source Revenue**

|  |  |  |
| --- | --- | --- |
| Year | Without Funds Generated by the Special Rating Variation | Including Funds Generated by the Special Rating Variation |
| 2017/18 | 3.4% | 3.4% |
| 2018/19 | 3.8% | 3.8% |
| 2019/20 | 3.7% | 4.0% |
| 2020/21 | 3.6% | 4.6% |
| 2021/22 | 3.5% | 5.0% |
| 2022/23 | 3.4% | 5.2% |
| 2023/24 | 3.3% | 5.0% |
| 2024/25 | 3.2% | 4.8% |
| 2025/26 | 3.1% | 4.6% |
| 2026/27 | 3.1% | 4.4% |

This ratio shows the most significant differences which are brought about the significant borrowings required to fund the construction of the new facilities that are proposed. However, it can be seen that the ratios that are calculated still fit comfortably within the target ranges that have been established in relation to financial sustainability. It should also be noted that the decreasing ratio shown in relation to the scenario where the application is not successful will provide Council with an option to sustainably borrow funds to allow for the correction of any negative financial or infrastructure issues that arise over the life of the Long Term Financial Plan.

**Building and Infrastructure Renewal Ratio**

|  |  |  |
| --- | --- | --- |
| Year | Without Funds Generated by the Special Rating Variation | Including Funds Generated by the Special Rating Variation |
| 2017/18 | 107.0% | 99.0% |
| 2018/19 | 172.0% | 168.0% |
| 2019/20 | 101.0% | 109.0% |
| 2020/21 | 101.0% | 102.0% |
| 2021/22 | 101.0% | 100.0% |
| 2022/23 | 100.0% | 100.0% |
| 2023/24 | 100.0% | 105.0% |
| 2024/25 | 101.0% | 100.0% |
| 2025/26 | 100.0% | 102.0% |
| 2026/27 | 101.0% | 101.0% |

In relation to both these scenarios, these ratios are thought to be adequate in terms of maintaining Council’s infrastructure at an appropriate even where they fall under the preferred level of 100% as they are both impacted by a series of newly constructed buildings that are unlikely to require serious renewal in the short or medium terms. A very particular effort has been made in both scenarios to ensure that the renewal of roads and older community buildings have been adequately provided for. It should further be noted that in the scenario without the variation Council still has sufficient cash reserves and borrowing capacity to be able to adjust spending in this area to be able to match the infrastructure needs outlined in Council’s Asset Management Plans which are in the final stages of being reviewed and updated.

**Broad Liabilities Ratio**

|  |  |  |
| --- | --- | --- |
| Year | Without Funds Generated by the Special Rating Variation | Including Funds Generated by the Special Rating Variation |
| 2017/18 | 97.6% | 96.9% |
| 2018/19 | 93.0% | 117.1% |
| 2019/20 | 79.5% | 116.7% |
| 2020/21 | 76.7% | 118.2% |
| 2021/22 | 74.4% | 113.7% |
| 2022/23 | 71.5% | 108.9% |
| 2023/24 | 64.4% | 104.9% |
| 2024/25 | 67.5% | 104.4% |
| 2025/26 | 63.5% | 96.7% |
| 2026/27 | 63.7% | 92.8% |

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

## Contribution plan costs above the cap

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

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

For costs above the cap in contributions plans, a council must provide:[[1]](#footnote-1)

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

|  |
| --- |
| Not applicable |

# Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

*Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. IPART’s 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.[[2]](#footnote-2)

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

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

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

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

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

|  |
| --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation |
| The council’s application should show how you have explained to its community:  There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.  The corresponding percentage of general income that the expiring special variation represents for the relevant year.  Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.  The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.  If the proposed special variation was not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall.  The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman. |
|  |

## 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.

**RESPONSE**

Over the last twelve months, Council has undertaken its most comprehensive program of community engagement to date.

The Shire is responsible to a population of 16,850 (ABS Census 2011). Of these 11,792 live in the town of Muswellbrook, 1,801 in Denman and the remainder are scattered over a number of small villages and rural properties.

The formalisation of a community consultation process has been evolving since the introduction of the Integrated Planning & Reporting (IP&R) framework. Muswellbrook Shire Council first developed a Community Engagement Strategy in 2009. As part of the IP&R review process, a renewed Community Engagement Strategy was developed in August 2011. It stated that:

*“As part of Council’s delivery plan, the Community Engagement Strategy will be reviewed in October every four years beginning 2012, for endorsement, exhibition and adoption by Council.*

*This review will address social justice principles for integration in the community strategic plan, identifying the main priorities and aspirations of the community in the medium to long term. This review will be conducted by the Community Integrated Planning Team (CIPT).”*

Council’s Community Engagement Strategy *“articulates how Council will engage with the community to ensure that the Community Strategic Plan is developed in line with the community’s needs and reflects the community’s vision for the future of the Muswellbrook Shire.”*

Prior to this current program, much of Council’s community engagement was poorly planned and had been ad hoc and done in large part through the public exhibition of key documents, direct Councillor contact or customer enquiries. The relative informality of the feedback process was in no small part due to the size and connectedness of the community. Given the small and close knit nature of the Shire’s communities, many residents have also traditionally – and continue to – provide feedback directly through their elected Councillors.

Last year, as part of the process of reviewing and updating its IP&R documents and, as indicated above, Council undertook its four year review of its Community Engagement Strategy to include a more active use of community forums and meetings.

*“The principal function of the Forums is to:*

* *Engage directly with the community about its aspirations and vision;*
* *Obtain feedback on ‘big ticket’ items and on areas requiring more focus;*
* *Explain the process and obtain feedback on the suitability of the process.”*

The Strategy included a consultation program for a variety of engagement methods and tools.

For Council, 2016 was largely dedicated to listening to its community and seeking feedback on community strategic planning for the future. The focus was on seeking what residents wanted for the future of their Shire and towns. It directly informed the development of the Community Strategic Plan and the major projects that are proposed to be funded by the SRV.

Council conducted community engagement activities including:

**Listening Posts**

This was a series of one-on-one surveys undertaken by staff in prominent locations across the Shire. The questions focussed on what residents saw for the future of the Shire in regards to the economy, liveability and services.

**Community Forums**

A number of forums were conducted on a variety of issues which included the Muswellbrook Town Centre Strategy and the Denman Town Centre Master Plan.

**Telephone Surveys**

Two telephone surveys were conducted on behalf of Council.

Jetty Research undertook survey of 500 adult residents of the LGA to establish quantitative benchmarks for Council’s Community Strategic Plan (CSP). Jetty Research is a prequalified supplier of research and community engagement services to a range of NSW Government agencies and undertakes work on behalf of approximately thirty councils across the State. We are also an approved contractor under the NSW Local Government Procurement program (2013-16). A copy of Jetty Research’s capacity statement is attached.

It measured current satisfaction with selected Council facilities and services, and community attitudes to different aspects of living in the shire. It was ultimately designed to create reliable base-line date for subsequent benchmarking surveys.

Council has had an excellent response rate to all the forms of communication it has implemented, especially given the population size.

Consultation undertaken specifically on the special rate variation included:

**Traditional Media**

News articles and stories in the *Muswellbrook Chronicle*, *Newcastle Herald*, ABC Upper Hunter, Radio 2NM and PowerFM in addition to print advertisements in the Muswellbrook Chronicle and Hunter Valley News (both weekly publications). They outlined the proposal, the rate variation amount, answered some FAQ, had concept drawings of the prioritised projects, and explained how to provide feedback. Community Forums were publicised through local radio announcements and interviews with local journalists. The media attended all forums and provided independent feedback to the community on the outcomes from the forums.

**Letter to ratepayers**

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

**Community Forum – Muswellbrook – Monday 23 January 2017**

38 attendees, Mayor, 4 Councillors, 4 staff (General Manager, Acting Director, IP&R Co-ord, Admin)

The forum’s agenda consisted of a presentation by senior staff which gave an overview of the IP&R framework, the Community Strategic Plan, the Delivery Program, prioritised projects and SRV impacts. This was followed by a question and answer session, the opportunity to give feedback and the opportunity to complete a hard copy survey (see below).

**Community Forum – Denman – Tuesday 24 January 2017**

25 attendees, Mayor, 5 Councillors, 4 staff (General Manager, Acting Director, IP&R Co-ordinator, Administration officer)

The forum’s agenda consisted of a presentation by senior staff and Councillors, which gave an overview of content as mentioned above. This was followed by a question and answer session, the opportunity to give feedback and the opportunity to complete a hard copy survey (see below).

**Hard copy survey**

This was developed specifically for Community Forum participants and those residents who don’t have access to the internet. It is a shorter version of the on-line survey (see below). There were 27 responses as a direct result of the Community Forums and four responses from non-attendees. Hard copies were circulated to libraries, the Denman post office, Council’s administration centre and some were circulated by forum attendees.

**Online survey hosted by MSC website**

This was conducted by Muswellbrook Shire Council from 5 January to 3 February 2017. It asked a series of questions to ascertain the context within which people were responding such as if they live or work in the Shire.

In order to minimise multiple responses from individuals, but allowing multiple responses from publicly accessible IP addresses (such as libraries and service clubs) or family members using the same address, responses were monitored. If multiple responses appeared with exactly the same comments, they were deleted.

**Community Telephone Survey**

Council commissioned Jetty Research to conduct a random and representative telephone survey of its adult residents to measure knowledge of, and support for a proposed Special Rate Variation (SVR). This took place over a week from 17 January 2017.

550 Shire residents were contacted randomly by phone and participated in a telephone survey regarding an “important local issue”. While Jetty ensured that at least 20% of interviewees were from the 2328 postcode, no other formal quotas were applied, although they did attempt to ensure an adequate mix of respondents across age groups and genders. The sample size implies a statistical margin of error of approximately +/- 4.1% at the 95% confidence level.

**Social Media**

Muswellbrook Shire Council has a Facebook page that it uses to update its community on issues such as services, events, important documents, public exhibitions and consultation opportunities. Councillors also used their personal Facebook pages to distribute information.

Council posted multiple times with regards to the SRV and encouraging the community to complete the online survey or attend a community forum:

**3 February 2017** – to remind everyone “HELLO EVERYBODY this is your last chance to make your views known on the proposed Special Rate Variation to support the delivery of three optional infrastructure projects.” (2 comments, 2 likes)

**1 February 2017** – “You've got until 3 February to give us your thoughts. Please don't forget - we want to hear what you have to say!” Repost of Muswellbrook Chronical article “Last chance to complete proposed SRV survey. Muswellbrook Swimming Club is encouraging people to have their say” (3 comments, 7 likes, 1 share)

**24 January 2017** – repost of 2NM article “Residents have their say on special rate variation” (4 comments, 7 likes)

**20 January 2017** – advising of the Muswellbrook and Denman Community Forums on the SRV (1 comment, 2 likes, 13 shares)

**18 January 2017** – shared Cr Jason Foy – Muswellbrook Shire Council event “Denman Community Forum – Proposed Projects and SRV (2 likes)

**18 January 2017** – shared Cr Jason Foy – Muswellbrook Shire Council event “Muswellbrook Community Forum – Proposed Projects and SRV (2 likes)

**13 January 2017** - shared Cr Jason Foy – Muswellbrook Shire Council post “Radio interview with Cr Jason Foy about the proposal for a regional Convention and Performance Centre.” (2 likes)

**6 January 2017** – “Are you willing to pay an extra $1.44 in real terms per week in rates for these projects?

1. A Regional Convention and Performance Centre – a major component of the Muswellbrook Town Centre Plan;
2. An expansion and upgrade to the facilities at Muswellbrook Aquatic Centre; and
3. The full delivery of the Denman Town Centre revitalisation plan.

Let us know here!

Muswellbrook Shire Council is seeking as much community feedback as possible regarding the proposed Special Rate Variation. Your submissions, survey responses and comments will determine whether or not the above projects go ahead.

Please share your thoughts here, and share this post with family and friends!” (66 comments, 28 likes, 7 angry, 2 shares)

**5 January 2017** – “2NM interview with Cr Martin Rush” repost of 2NM article (10 comments, 13 likes, 1 share)

**5 January 2017** – “Here's a direct link to the survey about the three new projects proposed by Council and the associated Special Rate Variation.

Please let us know your thoughts, everyone.” (2 comments, 3 likes, 1 wow)

**5 January 2017** – “SO IMPORTANT: If you share this post please make sure people know to direct their comments back to this page so we can collect it for consultation purposes. We want to make sure ALL opinions are taken into account.

As part of its draft Community Strategic Plan and Delivery Program for the next four years, Council has proposed an option for three projects identified as priorities by the community and an associated Special Rate Variation of 2.5% each year for four years (accumulating to 10%). The three projects are:

1. a Regional Convention and Performance Centre – a major component of the Muswellbrook Town Centre Plan;
2. an expansion and upgrade to the facilities at Muswellbrook Aquatic Centre; and,
3. the full delivery of the Denman Town Centre revitalisation plan.

Council is seeking your feedback now on the draft documents and on the proposed rates increase. Please visit the link below for details.” (25 comments, 19 likes, 33 shares)

## 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.

**RESPONSE**

As outlined in previous sections of this application, Council has undertaken its most comprehensive program of community engagement to date. The range of activities has been reflected in high levels of engagement and acknowledgement by participants.

The community has made it clear they are proud to live in Muswellbrook but are concerned about future job opportunities. They believe that Muswellbrook should be the Regional Centre for the Upper Hunter with infrastructure that matches – such as a Regional Convention and Performance Centre, a children’s water park and a new exhibition and show facility.

**Online survey on MSC website**

There were **853** responses to Council’s on-line survey by the close of the consultation period (3 February 2017); of these, 430 (64%) identified as being ratepayers.

Respondents had the opportunity to rate the proposals from 1 (very supportive) to 5 (very opposed). The results of the survey at its close (Friday 3 February 2017) showed that 49.4% people were supportive of the rate variation, 7.0% were neutral or undecided, and 43.6% were unsupportive.

Most respondents who stated their support for the variation identified issues such as:

* “How many good bands do we miss because there isn't anywhere for them to play? Hopefully this will sort out that problem and Muswellbrook won’t miss out.”
* “love that new things are happening in the community”
* “Good proposal for future growth and revitalization in this region”
* “Muswellbrook and Denman amenity won't improve without foresight. The towns need something to give them a lift, and what is proposed does just this. We do have the village of Sandy Hollow to consider as well!”
* “I live in Sydney but have an investment property in Muswellbrook, I would like to move there one day. When I bought my property the town was 'on fire' and buzzing with activity, it was very exciting and then sadly with the mining downturn it went downhill. I really hope these plans bring the town back to life and offers people from other placed e.g. Sydney (the smog filled city with bumper to bumper traffic) a place to move to and build a new life.”
* “It is important that Muswellbrook is considered much more than a 'mining town'. we have recently seen, as has been experienced in the past, severe disadvantage when the mining dollar becomes scarce. From the point of view of a township, it seems pertinent that we develop a multifaceted, sustainable environment for generations to come.”
* “I think these projects will help build Muswellbrook into a town for the future!!”
* “I feel the proposed increases are relatively modest and it is good to see a Council getting on the front foot and looking ahead at the Shire's future. The only drawback I can see is that Council may wish to consider how it will reassure ratepayers that the additional rates revenue will in fact be used for the intended purpose.”
* “please make this happen.”
* “The rate increase is reasonable for good projects as these. However the worry I have is commitment from council. They need to be held responsible for the completion of all projects once rate payers have committed to payment increase”
* “The town needs more recreational avenues to keep people here and to make them happy to be here.”

People who were neutral were unsure as to whether the projects would be delivered, or had questions about the design concepts of the projects.

Those who were opposed stated:

* “Council has done some good work over recent years, but needs to ensure that money is spent wisely, and that infrastructure is well utilised and cost efficient.”
* “It would be great to finally have our Aquatic Centre upgraded to include a water park. I really hope there will be a lot of shade cover made available, that way more families with young children will feel comfortable and protected enough to spend the day at the centre. The convention centre can be used as a town Hall something we have been missing for quite some years now.”
* “The concept of the pool renovations are good but poorly designed. The fun splash area should not be attached to the 50m pool. This will impact upon the sporting groups who use the facility such as the swimming club which is beginning to grow and expand. The current proposed design will make Muswellbrook ineligible to hold a number of big qualifying carnivals which in turn will boost the local economy.”
* “I don't want to pay extra for things in the shire that I don't believe will benefit me greatly.”
* “I feel more thought needs to be placed on these decisions as they will have a great impact on retired residents as well as the Seniors in the area, who are already struggling on the aged pension. It will also put added pressure on those who own rental properties, who will then rightly so pass the cost onto their tenant. There is a lot to be said for user pays system. Then residents will not be charged for services that are of no benefit to them.”

A summary of the questions (for full questionnaire, see attachments) and responses (N/R denotes no response) show:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Q1 – which apply to you re: connection to area | Live | Work | Study | Ratepayer | N/R |  | | | |
|  |  |  |  |  |
| Q2 – have you read, heard, seen anything about the projects and SRV? | Yes | No | N/R |  | | | | | |
| 625 | 39 | 10 |
| Q3 – how did you hear? | Paper | Radio | TV news | MSC website | Letter | Friends etc | other | | |
|  |  |  |  |  |  |  | | |
| Q4 – did you get a ratepayer letter? | Yes | No | N/R |  | | | | | |
| 430 | 237 | 7 |
| Q5 – level of support for SRV | 1  supportive | 2 | 3 | 4 | 5  Not at all supportive | N/R | | |  |
| 259 | 77 | 46 | 38 | 247 | 8 | | |
| Q6 – briefly explain reasoning | 491 |  | | | | | | | |
| Q7 – where you live | Urban | Rural | Mixed/unsure | N/R |  | | | | |
| 509 | 107 | 36 | 22 |  | | | | |
| Q8 – any u18 at home | Yes | No | N/R |  | | | | | |
| 272 | 382 | 20 |  | | | | | |
| Q9 – yrs lived in Shire (open answer) | 0-10 | 11-20 | 21-30 | 31+ | Don’t | N/R | |  | |
| 141 | 143 | 186 | 67 | 25 | 54 | |  | |
| Q10 - comments | 276 |  | | | | | | | |

**Community Telephone Survey**

Among the major conclusions of the Jetty benchmark survey (undertaken in July 2016) were:

1. The majority of Council facilities and services (18/22) scored a mean rating of 3+, suggesting that they meet resident expectations; 7/ 22 scored 3.5+: library services (4.23), Aquatic Centre (3.82), food safety and hygiene (3.80), sporting fields (3.73), household waste and recycling services (3.61), cleanliness and appearance of local parks (3.58) and cleanliness of local streets (3.51).

2. Sealed roads, public toilets and footpaths were highlighted as the main areas of concern. Facilities and services for youth also received a disappointing rating.

3. Almost two in five (39%) indicated that they were satisfied overall with their local Council, while 18% were dissatisfied – showing net satisfaction of 21%. The balance (43%) were neither dissatisfied nor satisfied.

a. The majority of those with positive scores had trouble articulating specific reasons for their satisfaction, noting instead that Council did a good job generally.

b. Those with negative comments, on the other hand, tended to be more specific. Roads, waste, flood management, footpaths and cycle ways were specifically noted as requiring improvement. Some criticised Council management, believing Council did not pay enough attention to ratepayers, has too much red tape and is wasteful.

4. General statements about the Shire indicated that many Muswellbrook residents are engaged, feel a sense of pride in their community and feel safe in their homes. 53% of measures received a rating of 3+; 33% received 3.5+; this included “I feel safe in my home at night”, “I feel proud of where I live”, “I feel part of my community”, “our parks and reserves are clean, attractive and welcoming” and “It is easy to access the Council services I need”.

5. Employment and safety in town at night were raised as issues requiring improvement.

6. The major items on the community’s “magic wand” (wish list) included increasing employment, improving roads, offering more youth activities and reducing crime.

The main results from Jetty’s final report (attached) in relation to their SRV specific survey (January 2017) included:

1. Knowledge of Council’s proposal to deliver three new facilities was high among residents (84%)

2. 75% of ratepayers recalled receiving Council’s letter on the SRV. 80% of those who recalled receiving the letter indicated they had read it.

3. 44% of respondents supported the SRV while 45% were opposed (and 11% unsure). The survey had a statistical margin of error of a little more than 4% so that a statistical conclusion can be derived that there is an approximately balanced view as to the level of support.

4. Of those who supported the SRV, 22% agreed to the need for all three projects, 17% felt the need to progress and/or upgrade facilities generally, 8% agreed to at least some of the proposed projects, and 5% felt the projects may result in increased tourism or employment for the region.

5. Of those who opposed the SRV 15% opposed one or more of the proposed facilities, 14% felt that they or other community members would struggle to pay it, 9% wanted Council to find another way to fund the projects or believed there were more important priorities, and 5% said the rate increase was too high.

6. When people were specifically asked why they opposed the rise 40% said it was because they felt it was too high, while 21% didn't believe Muswellbrook needed the facilities being sought. A further 18% said it was a combination, while 8% said it was because they wouldn’t use the facilities.

**Community Forums**

Muswellbrook (23 January 2017)

38 attendees as well as the Mayor, 4 Councillors, 4 staff (General Manager, Acting Director, IP&R Co-ordinator, Admin)

Denman (24 January 2017)

25 attendee as well as the Mayor, 5 Councillors, 4 staff (General Manager, Acting Director, IP&R Co-ordinator, Admin)

**Hard copy survey**

The results show that 23 respondents (74.2%) are very/somewhat supportive of the projects and proposed SRV, no-one was neutral and 8 people are somewhat/very against (25.8%).

A summary of the results (01 Feb 2017) show:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Q1 – which apply to you re: connection to area | Live | Work | Study | Ratepayer | N/R |  | |
| 28 | 19 | 1 | 28 |  |
| Q2 – how did you hear? | Paper | Radio | TV news | MSC website | Letter | Friends etc | Other |
| 13 | 7 | 0 | 8 | 15 | 13 | 6 |
| Q3 - Ratepayer letter | Yes | No |  | | | | |
| 22 | 9 |
| Q4 – where you live | Urban | Rural | Mixed/unsure | N/R |  | | |
| 23 | 5 | 2 | 1 |
| Q5 – any u18 at home | Yes | No |  | | | | |
| 5 | 26 |
| Q6 – no. yrs lived in area | 0-10 | 11-20 | 21-30 | 31+ | N/R |  | |
| 7 | 8 | 4 | 11 | 1 |
| Q7 – level of support for SRV | 1  Very supportive | 2  Somewhat supportive | 3  Neutral | 4  Somewhat against | 5  Very against |  | |
| 17 | 6 | 0 | 3 | 5 |
| Q8 - comments | 16 |  | | | | | |

**Media table (Material is attached)**

|  |  |  |
| --- | --- | --- |
| **Date** | **Media** | **Story** |
| 26/10/16 | Hunter Valley News | Draft Muswellbrook Town Centre Strategy advertisement |
| 16/11/16 | Hunter Valley News | News article: Boost for the Upper Hunter |
| 25/11/16 | Muswellbrook Chronicle | News article: The future of Denman looking bright |
| 29/11/16 | Council Media Release | Media release re listening posts |
| 2/12/16 | Muswellbrook Chronicle | News article: Listening posts pop up in town |
| 5/1/17 | Council Facebook Page | “SO IMPORTANT: If you share this post please make sure people know to direct their comments back to this page so we can collect it for consultation purposes. We want to make sure ALL opinions are taken into account.  As part of its draft Community Strategic Plan and Delivery Program for the next four years, Council has proposed an option for three projects identified as priorities by the community and an associated Special Rate Variation of 2.5% each year for four years (accumulating to 10%). The three projects are:  1) a Regional Convention and Performance Centre – a major component of the Muswellbrook Town Centre Plan;  2) an expansion and upgrade to the facilities at Muswellbrook Aquatic Centre; and  3) the full delivery of the Denman Town Centre revitalisation plan.  Council is seeking your feedback now on the draft documents and on the proposed rates increase. Please visit the link below for details.” (25 comments, 19 likes, 33 shares) |
| 5/1/17 | Council Facebook Page | “Here’s a direct link to the survey about the three new projects proposed by Council and the associated Special Rate Variation.  Please let us know your thoughts, everyone.” (2 comments, 3 likes, 1 wow) |
| 5/1/17 | Newcastle Herald | News article: Muswellbrook Shire Council has proposed three big projects to make the town a regional centre |
| 5/1/17 | 2NM Radio interview – Mayor Martin Rush | Interview with Stephen Cenatiempo concerning the proposed CSP and Delivery Plan and the three optional projects that require community support for an SRV. Audio available at: <http://www.2nm.com.au/shows/hunter-valley-today/latest-from-hunter-valley-today/59810-do-we-need-a-theatre-and-water-park-in-muswellbrook> |
| 5/1/17 | Council Facebook Page | “2NM interview with Cr Martin Rush” repost of 2NM article (10 comments, 13 likes, 1 share) |
| 6/1/17 | 2NUR FM | News article: Muswellbrook Council Delivery Program Draft on Exhibition |
| 6/1/17 | Council Facebook Page | “Are you willing to pay an extra $1.44 in real terms per week in rates for these projects?  1) A Regional Convention and Performance Centre – a major component of the Muswellbrook Town Centre Plan;  2) An expansion and upgrade to the facilities at Muswellbrook Aquatic Centre; and  3) The full delivery of the Denman Town Centre revitalisation plan.  Let us know here!  Muswellbrook Shire Council is seeking as much community feedback as possible regarding the proposed Special Rate Variation. Your submissions, survey responses and comments will determine whether or not the above projects go ahead.  Please share your thoughts here, and share this post with family and friends!” (66 comments, 28 likes, 7 angry, 2 shares) |
| 11/1/17 | Hunter Valley News | Advertisement re Delivery Program |
| 12/1/17 | 2NM Radio interview – Cr Jason Foy | Interview with Stephen Cenatiempo concerning the proposed Regional Convention and Performance Centre. Audio available at: <https://goo.gl/MdAfVk> |
| 13/1/17 | Muswellbrook Chronicle | News article: ‘Exciting’ opportunity |
| 13/1/17 | Muswellbrook Chronicle | News article: What does it all mean? |
| 13/1/17 | Council Facebook Page | Shared Cr Jason Foy – Muswellbrook Shire Council post “Radio interview with Cr Jason Foy about the proposal for a regional Convention and Performance Centre.” (2 likes) |
| 18/1/17 | Council Facebook Page | Shared Cr Jason Foy – Muswellbrook Shire Council event “Muswellbrook Community Forum – Proposed Projects and SRV (2 likes) |
| 18/1/17 | Hunter Valley News | Advertisement re Community Strategic Plan and Delivery Program |
| 20/1/17 | Council Facebook Page | Advice of the Muswellbrook and Denman Community Forums on the SRV (1 comment, 2 likes, 13 shares) |
| 20/1/17 | Muswellbrook Chronicle | Advertisement re Community Strategic Plan, Delivery Program and Community Forums |
| 20/1/17 | Muswellbrook  Chronicle | Advertisement re Community Strategic Plan and Delivery Program |
| 20/1/17 | Muswellbrook Chronicle | Talking with Mayor Martin Rush: Special rate variation to support projects |
| 24/1/17 | Repost of 2NM article | “Residents have their say on special rate variation” (4 comments, 7 likes) |
| 1/2/17 | Council Facebook Page | You’ve got until 3 February to give us your thoughts. Please don’t forget – we want to hear what you have to say!” Repost of Muswellbrook Chronical article “Last chance to complete proposed SRV survey. Muswellbrook Swimming Club is encouraging people to have their say” (3 comments, 7 likes, 1 share) |
| 2/2/17 | Council Media Release | Media Release re Council |
| 3/2/17 | Council Facebook Page | “HELLO EVERYBODY this is your last chance to make your views known on the proposed Special Rate Variation to support the delivery of three optional infrastructure projects.” (2 comments, 2 likes) |
| 8/2/17 | 2NM Radio interview – Mayor Martin Rush | Interview with Stephen Cenatiempo concerning the decision of Council to formally make application for the SRV. |
| 8/2/17 | 2NM | Opinion piece: Credit where credit is due |

# Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

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

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

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

## Impact on rates

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

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

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

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

**RESPONSE**

The current rating structure of Muswellbrook Shire Council is that rates and charges are levied for the general fund, water and sewer charges, and the domestic waste charge; these are the funds that are paid directly to Council.

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

Any successful variation will be applied consistently across all categories of ratepayer.

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.

It can be seen that in the early years of both models there are a number of outsized increases and decreases proposed, especially at the upper end of the land values. Council believes that these occur as a result of the base Notional Amount needing to be estimated in an attempt to cater for a number of currently unknown land valuation changes and categorisation for rating purposes that are expected to occur during 2016/17.

Council is currently waiting on outcomes regarding the expansion of activities at two coal mines and the opening of another one within the Shire. Therefore, the Notional Amount calculated for the application has been estimated based on Council’s view of what these valuations might be. Once these new valuations have been received, Council will be able to more accurately calculate its Notional Amount and will be in a better position to be able to assess the impact of these changes coupled with the Special Variation.

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. However, Council accepts that it may have to reconsider this should, as a result of the revaluations, ratepayers experience outsized increases and decreases over the life of the variation.

### Minimum Rates

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

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

|  |  |  |
| --- | --- | --- |
| Does the council have minimum Ordinary rates? | Yes | No 🞫 |

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

The rate peg percentage

The special variation percentage

Another amount  Indicate this amount \_\_\_\_\_\_\_\_\_\_\_\_\_

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

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

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

Not applicable

## 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.

**RESPONSE**

**Affordability and the community’s capacity to pay**

Muswellbrook Shire average residential rates are among the lowest of Hunter Councils and Group 11 Councils (of which Muswellbrook is one). All categories of rates (with the exception of the Farmland category) are below the average of both Group 11 and Hunter Councils. Table 3.1 provides a comparison to other Councils for 2014/15 (the most up to date comparative data available from the Office of Local Government).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Residential ($) | Farmland ($) | Business ($) | Mining ($) | Total Rate/ Total Land Value ($) |
| Average Group 11 | 722.76 | 2690.66 | 1955.50 | 127,479 | 171 |
| Average Hunter | 917.96 | 2065.41 | 3161.17 | 59,452 | 172 |
| Muswellbrook Shire Council | 713.54 | 2,709.68 | 1918.14 | 62,258 | 117.84 |

**Table 3.1: Average rates for all categories for 2014/15. (Source:** [**https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website**](https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website)**)**

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

The Muswellbrook Chamber of Commerce and Industry (whose members include all of the Shire’s mining operators) supports the proposed SRV notwithstanding that the proposed rate increase would have an impact on the Business and Mining categories of the rates. The Chamber’s submission notes:

With regard to the proposed Special Rate Variation there appears to be no significant impact on Business rates. As long as Council can maintain competitive land rates, and total rates payable, competitive with neighbouring LGA’s, Muswellbrook businesses will not be disadvantaged.

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

The Shire’s residents have a median wage of $56,801 and are characterised as middle income. There is a high wage and salary component, from which is deducted significant taxes. Property income is significant and there is a reasonable growth in household wealth despite high indebtedness. The unemployment rate is moderate sitting at 6.9%.

The population demonstrates moderate levels of socio-economic disadvantage compared to the State Average when measured against the Socio-Economic Indexes for Areas Index of Relative Socio-economic Disadvantage, ranking 78 among 152 local government areas.

**Willingness to Pay**

The surveys undertaken for the purposes of the application have indicated a balanced view among the community as to the willingness to pay for the proposed increase. Confidence in these figures is high and based on the methodology used and reputation of Jetty Research, which undertook the telephone survey and the very high level (84%) of awareness within the community of the proposals. The statistical margin of error is greater than the difference in those who support and oppose the measure. Council is confident that there are sufficient levels of willingness in the community to justify the modest increase.

## 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 🞫 | No |
| If Yes, is an interest charge applied to late rate payments? | Yes 🞫 | No |
| Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community? | Yes 🞫 | No |

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).

**RESPONSE**

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

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

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

Since 2014 only 14 Muswellbrook Shire rate payers have applied for assistance with, or advice on, financial hardship. The main beneficiaries of financial hardship assistance were the elderly, young families and retrenched workers.

Currently Council can provide assistance to its residents by offering:

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

Generally, the policy aims to provide assistance where possible, in accordance with the *Local Government* Act 1993 and the *Local Government (General)* Regulations 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.

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

Criterion 4 in the Guidelines is:

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

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

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

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

**RESPONSE**

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

**Public Exhibition of relevant IP&R documents**

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

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

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 (in view of the Christmas/New Year break) and well publicised in traditional and social media, together with two specific community forums.

The Jetty Research telephone survey revealed a very high (84%) level of awareness of the proposals.

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

Following is a comprehensive timeline of formal Council decisions with respect to the Integrated Planning and Reporting framework documents. These decisions come from Ordinary Council meetings, Extra-ordinary Council meetings and delegated Sunset Committees. It is noted that Council’s Integrated Planning

Sunset Committee was delegated to deal with the endorsement of some of these documents (CSP and the DP) for public exhibition.

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

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

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

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

1. The Draft Muswellbrook Town Centre Strategy be exhibited for a minimum period of 28 days.

2. A report be submitted to Council following public exhibition.

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

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

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

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

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

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

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

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

b) Integration of private parking with the public parking.

2. Amend final plan date to ‘November 2016’.

[**8 November 2016**] 12.4 ANNUAL REPORT

140 RESOLVED on the motion of Crs Rush and Eades that:

Council endorse the 2015/2016 Annual Report including the audited Financial Statements, End of Term Report and State of the Environment Report prior to their submission to the Office of Local Government.

[**13 December 2016**] 12.7 SPECIAL RATE VARIATION EXPRESSION OF INTEREST

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

1. Council endorse the lodgement with the Independent Pricing and Regulatory Tribunal of its expression of intention to make application for a Special Rate Variation.

2. Council endorse an allocation of $60,500 from unrestricted cash for the purpose.

[**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.

[**21 December 2016**] 7.2 PRELIMINARY BUSINESS CASE - REGIONAL CONVENTION AND PERFORMANCE CENTRE

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

A Capital Expenditure Review be completed for the project.

[**21 December 2016**] 7.3 PRELIMINARY BUSINESS CASE - MUSWELLBROOK REGIONAL AQUATIC CENTRE AND GYM

192 RESOLVED on the motion of Crs Green and Reynolds that Council:

1. ADOPT the Preliminary Business Case; and

2. That a Capital Expenditure Review be completed for the project.

[**22 December 2016**] 5.1 COMMUNITY STRATEGIC PLAN 2017-2027 AND DELIVERY PROGRAM 2017 TO 2021

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 rate 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.

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

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

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

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

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

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

**RESPONSE**

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

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

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



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**Improvements during the last few years**

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

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

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

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

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

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

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

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

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

**Further improvements**

Council continues to maintain a strong commitment to financial discipline and continual improvement. The LTFP and forward estimates in the budget attached to the Delivery Program both include an allowance of **$62,500** (accumulating) each year for as yet unidentified but anticipated productivity improvements.

# 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) | 🗸 |
| Part B Application form (Word document) – this document | 🗸 |
| Relevant extracts from the Community Strategic Plan | 🗸 |
| Delivery Program | 🗸 |
| Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format | 🗸 |
| NSW Treasury Corporation report on financial sustainability | 🗸 |
| Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation | 🗸 |
| Community feedback (including surveys and results if applicable) | 🗸 |
| Hardship Policy | 🗸 |
| Resolution to apply for the proposed special variation | 🗸 |
| Certification (see Section 9) | 🗸 |
| **Other Attachments** |  |
| Relevant extracts from the Asset Management Plan | 🗸 |
| Past Instruments of Approval (if applicable) | 🞫 |
| Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program | 🗸 |
| Other (please specify)  POLICIES, PLANS, PROGRAMMES, AND PROJECTS | 🗸 |

# 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): Steve McDonald

Signature and Date: 

10 February 2017

Responsible Accounting Officer (name): Grant O’Leary

Signature and Date: 

10 February 2017

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

1. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-1)
2. <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase> [↑](#footnote-ref-2)
3. The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan. [↑](#footnote-ref-3)
4. Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6. [↑](#footnote-ref-4)