



Independent Pricing and Regulatory Tribunal
New South Wales

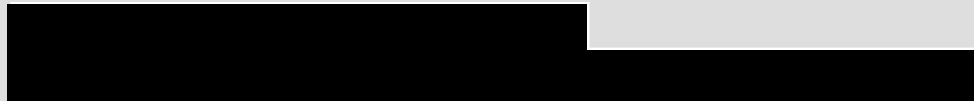
Special Variation Application Form – Part B

For 2019-20

Insert Name of Council: Hunter's Hill Council

Date Submitted to IPART: 11 February 2019

Council Contact Person: Annie Goodman



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Tribunal Members

The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

Enquiries regarding this document should be directed to a staff member:

Scott Chapman (02) 9290 8449



Contents

1	Introduction	1
1.1	Completing the application form	1
1.2	Notification and submission of the special variation application	2
2	Preliminaries	4
2.1	Focus on Integrated Planning and Reporting	4
2.2	Key purpose of special variation	4
2.3	Existing s508A multi-year special variation	6
2.4	Capital expenditure review	7
3	Assessment Criterion 1: Need for the variation	8
3.1	Case for special variation – community need	8
3.2	Financial sustainability	12
3.3	Financial indicators	13
4	Assessment criterion 2: Community awareness and engagement	19
4.1	The consultation strategy	20
4.2	Feedback from the community consultations	21
5	Assessment criterion 3: Impact on ratepayers	25
5.1	Impact on rates	25
5.2	Consideration of affordability and the community's capacity and willingness to pay	28
5.3	Addressing hardship	29
6	Assessment criterion 4: Public exhibition of relevant IP&R documents	31
7	Assessment criterion 5: Productivity improvements and cost containment strategies	36
8	List of attachments	40
9	Certification	41

1 Introduction

IPART will assess each application against the criteria set out in the Office of Local Government's (OLG) *Guidelines for the preparation of an application for a special variation to general income* (the [Guidelines](#)). Councils should refer to these Guidelines before completing this application form.

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

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

If the proposed special variation includes increasing minimum rates above the statutory limit in the same rating year/s, the council may submit a combined special variation and minimum rate application (see Chapter 5 for circumstances where a combined application may be submitted). However, this must be clearly identified and addressed in the special variation application. A separate Minimum Rate application form (Part A and Part B) will need to be submitted where a council proposes increases to its minimum rates above the statutory limit for the first time, without increasing other ordinary rates in the same rating year. Councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2019-20 rating year.

1.1 Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and fact sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest videos and fact sheets on these topics are available on [IPART's website](#).

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

- ▼ Section 2 – Preliminaries
- ▼ Section 3 – Assessment criterion 1
- ▼ Section 4 – Assessment criterion 2
- ▼ Section 5 – Assessment criterion 3
- ▼ Section 6 – Assessment criterion 4
- ▼ Section 7 – Assessment criterion 5
- ▼ Section 8 – List of attachments
- ▼ Section 9 – Certification.

1.2 Notification and submission of the special variation application

Notification of intention to apply

Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 30 November 2018.

Any councils that did not notify but intend to apply for a special variation for 2019-20 should contact us as soon as possible.

Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](#) on IPART's website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 11 February 2019**.

The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

▼ Arsh Suri - Arsh_Suri@ipart.nsw.gov.au or 02 9113 7730

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 50MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. These file limits should be sufficient for your application. Please contact us if they are not.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART are redacted so that they do not expose confidential content.

Councils should also post their application on their own website for the community to access.

2 Preliminaries

2.1 Focus on Integrated Planning and Reporting

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

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

2.2 Key purpose of special variation

At the highest level, indicate the key purpose(s) of the proposed special variation by marking one or more of the boxes below with an "x". The purpose should be directly related to the special variation being sought and should be further detailed in the sections below.

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

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

While Hunter's Hill Council has financial challenges both now and over the next few years, by adhering to our financial objectives we will continue to maintain and build on our sound position. Applying for a Community Facilities Special Variation (SV) and an Operational Special Variation (SV) will help ensure Council's long-term performance and all associated benchmarks.

Council's decision to apply for a Special Variation (SV) dates back to 2015 when Hunter's Hill Council submitted its *Fit for the Future* application to IPART (in conjunction with City of Ryde and Lane Cove Council's). The Hunter's Hill Council

component of the submission outlined Council's intention to establish an ongoing Operational Special Rate Variation in addition to the renewal of the Community Facilities SV that was in place at the time.

At this time the IPART determined that Hunter's Hill Council satisfied the financial criteria as defined by the *Fit for the Future* program overall. This is the sustainability, infrastructure and service management and efficiency criteria, which included a permanent increase and a 10 year Community Facilities SV renewal.

In 2016/17 the State Government advised that Council's undergoing a merger proposal would be ineligible to apply for a SV. Therefore, the Hunter's Hill Council Community Facilities SV expired on the 31 June 2017. This resulted in property owners seeing a decrease in their rates.

Hunter's Hill Council understands that a rate increase is never welcome. However, the local community has consistently told Council through community surveys and engagement activities, including all relevant Integrated Planning and Reporting (IP&R) documents that maintaining buildings, parks, reserves, playgrounds and services is a high priority.

Community needs and expectations as expressed through consultations as part of the IP&R activities, combined with a number of significant factors has lead Council to seek a SV. Some of these factors include:

- The rate peg has not kept pace with Council's expenses, e.g., the Award Salary increase has been well over the rate peg. Employee costs are approximately 35% of Council's total cost, in addition the CPI has also been above the rate peg over the last three years.
- Interest rates on Council's investments have also reduced.
- Other costs such as depreciation have increased due to changes in valuations as required by the Office of Local Government and Australian Accounting Standards.
- Rates comprise over 70% of Council's revenue. While this means Council has a stable income base it also means Council has a limited capacity to raise revenue through other methods.
- Local Government NSW recently released the results of a cost shifting survey undertaken every two years and reported that Hunter's Hill Council was the fourth hardest hit by cost shifting with an estimated annual amount cost shifted of \$2.1 million, representing 15% of Council's income.

Council is also mindful that the basis of delivering a robust Long Term Financial Plan (LTFP) that meets the needs of the community includes:

- Undertaking financial planning and forecasting of revenue and expenditure.
- Investing surplus funds to provide secure and optimum return.

- Making capital improvements to ensure programming within parameters of available funding.
- Maintaining the current ratio/liquidity to ensure funding levels are sufficient to finance recurrent operations and liquidity requirements.
- Pursuing loan funding to finance capital improvements.
- Creating and maintaining financial reserves.

Council also understands that even if the SV application to IPART is successful, there will need to be a heavy focus on achieving efficiencies. This will be achieved by making better use of existing facilities and gaining financial and community benefit from grant funding opportunities. Additional efficiency gains are outlined in further sections of this submission.

Council's decision at Meeting No. 4453 on 12 December 2018 to formally apply to IPART was based on the assessment of community comment and feedback, a review of Council's financial position and a commitment to supporting the long term sustainability of the local government area via a robust and community driven Community Strategic Plan and supporting resource strategies.

2.3 Existing s508A multi-year special variation

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

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

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

Does the council have a s508A multi-year special variation instrument that will continue to apply in the period for which the council is seeking further increases to its general income Yes ☐ No ☒

If Yes:

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

2.4 Capital expenditure review

You should complete this section if the council intends to undertake major capital projects that are required to comply with the OLG's Capital Expenditure Guidelines, as outlined in OLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater.

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010

Yes ☐ No ☒

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

Yes ☐ No ☐

3 Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

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

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

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

Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies.

The response to this criterion should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise).

The criterion states that the need for the proposed special variation must be identified and clearly articulated in the council's IP&R documents especially the Long Term Financial Plan and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

3.1 Case for special variation – community need

In its application, the council should summarise and explain:

- ▼ How it identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in loan borrowings, or private public partnerships or joint ventures.

- ▼ How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts.

The combined Community Strategic Plan, Delivery Program, Operational Plan and Resourcing Strategy was developed in 2017/2018 through significant consultation with residents, community groups, stakeholders, businesses and other government bodies.

The plan represents a vision and framework to guide the aspirations and needs of the Hunters Hill community over the next 10 years. It is designed to not only articulate our foresight for the future, but also outline expected levels of service, financial responsibilities and the ability to respond to future opportunities and challenges. Most importantly, it will address the level of resources that will realistically be available to achieve these aspirations and needs.

The Plan does not exist in isolation and is supported by more detailed plans and strategies, including a Delivery Program with a four year outlook and an Operational Plan with a one year outlook. This integrated framework acts as a 'blueprint' and encourages Council to draw the various plans together and understand how they interact to get the maximum leverage from our efforts by planning holistically for the future.

Whilst it is a State legislative requirement to develop this plan, Council's role within this process is to provide the platform for the community to have 'their say' and document their responses. These valuable contributions strengthened Council's partnership with all stake holders and endorsed the distinctive and beneficial role of all partners involved. (Hunters Hill combined Community Strategic Plan, Delivery Program and Operational Plan, p.3)

The Engagement Strategy to deliver the IP&R framework was designed to ensure Council heard from a wide range of perspectives, age groups, cultures, locations and special interest groups. The response was overwhelming and represented the most successful community engagement process Council has ever undertaken.

The approach Council undertook included a variety of engagement methods. These are set out below:

- #Your Voice on-line survey
- #Your Voice reply paid postcard survey
- Youth survey
- School workshops
- Social media posts
- Focus groups
- Advertisements in local newspapers
- Council newsletters
- Newspaper editorial via Message from the Mayor columns

- Information provided through its program of major local events hosted by Council
- Phone surveys
- Web feedback
- Community Satisfaction Survey
- Councillor feedback.

The response achieved from this engagement enabled Council to develop a framework that identified a number of areas the community outlined as being priorities for immediate attention and improvement.

These priority service areas included:


- Preservation of heritage and character
- Council is open and transparent
- Council maintains assets (halls, buildings, etc)
- Preserving the tree canopy (including street trees)
- Public transport
- Council maintains a high level of customer service (all staff)
- Council communicates issues to residents
- Council engages with the community in making decisions
- Footpath maintenance
- Road maintenance
- Council builds partnerships with residents and community groups
- Access for vehicles, pedestrians and cyclists

This enabled Council to understand where property owners felt resourcing should be targeted. Specifically, it outlined that the maintenance of community assets was, and is, a priority.

In addition, the support for Council's long term sustainability was evident with direct reference within the Community Strategic Plan:

Strategic Objective	Action/s	18/19	19/20	Beyond
Council is financially sustainable	<ul style="list-style-type: none"> • Provide timely financial information, advice and reports to Council, the community and staff including the Long Term Financial Plan • Council develops commercial opportunities that generate alternate sources of income/revenue (e.g. property portfolio) • Fees and charges will be reviewed annually • Council's rating structure is reviewed to include the option of applying for a Special Rate Variation (SRV) 	<ul style="list-style-type: none"> • 		

(Community Strategic Plan, p.36)



The ability to deliver on the Community Strategic Plan and the actions within this document is key to ensuring that the community's needs and aspirations are met, in terms of service delivery and projects. This also needs to be considered within the context of the Long Term Financial Plan (LTFP) of Council.

The LTFP includes strategies relating to rates and assets. These strategies are not new and were included in previous year's iterations of the LTFP, Council's *Fit for the Future* response and also in previous SV applications.

Though a small local government entity, Hunter's Hill Council is responsible for the management of \$209,000,000 worth of assets. Overtime, the condition of key infrastructure such as community buildings, parks, reserves and playgrounds will deteriorate to a level that will result in operational inefficiencies and increased maintenance expenditure, if sufficient funds are not provided to effectively maintain and renew this will eventually lead to lower levels of service, and a backlog of work to maintain and improve community assets.

As such there needs to be a proactive increase in funding now, to ensure that future generations are not left with significant liabilities.

There is no doubting that a SV is the most appropriate course of action for Hunter's Hill Council. Even though Council continues to deliver on best practice and has significant plans to become a centre for innovation, collaboration and service delivery, there is also a need to ensure there is sound financial management as a basis for the future.

Council will achieve a sustainable financial future by continuing to build on regional collaboration projects, such as those already completed with other Northern Sydney Regional Organisation of Councils (NSROC) member councils.

Hunter's Hill Council has long recognised the critical importance of effective regional collaboration, and has played a key leadership role in this field as the lead council in the formation of NSROC.

Hunter's Hill Council works closely with other NSROC member councils in delivering cost savings through regional collaboration. Some of the benefits that this partnership has provided include:

- delivering on environmental projects.
- providing a Regional Waste contract.
- undertaking joint tendering to achieve best value, the most recent example was a joint tender for asphalt and road resurfacing contract works.
- preparing a regional Sport and Recreational Strategy.

Regional collaboration is not the only method Council has used to deliver cost savings.

Council has worked successfully with the Sydney Harbour Trust, RMS and Transport for NSW in delivering major parking and wharf projects.

There is certainly a great deal more that Council can achieve over the next 10 years and consideration has been given to alternatives to a SV. These alternatives have included reducing operational overheads. However, to meet the needs and wants of the community and to ensure a mechanism for continued growth and sustainability a SV is without doubt a secure and consistent revenue option.

3.2 Financial sustainability

The proposed special variation may be intended to improve the council's underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

- ▼ The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council's financial sustainability (eg, by auditors, NSW Treasury Corporation). Indicate how such assessments of the council's financial sustainability are relevant to supporting the decision to apply for a special variation.
- ▼ The council's view of the impact of the proposed special variation on its financial sustainability.

This proposed special variation (SV) seeks to continue the asset renewal program that was funded by a now-expired SV as well as provide on-going operational funding for delivery of Council services.

The now-expired SV was approved in 2007/08 and included an additional 4.16% above the rate peg for upgrades to community facilities. The SV expired in 2016/17. As Council was the subject to a merger proposal at the time, it was prohibited from seeking an extension to this SV by the Office of Local Government.

In the two years since, approximately \$690,000 has been lost to operating revenue, as compared to having an approved SV that extended funding for the renewal program. The SV application now before IPART includes a 4.04% component to recommence the funding received from the expired SV, commencing in 2019/20.

Approval of this component of the SV will assist to keep important community facilities fit for purpose, reduce the gap between asset renewal and depreciation and contribute to improving Council's Fit for the Future Buildings and Infrastructure Renewal ratio from the current below-benchmark figure of 36% to a projected average of around 80% in future years.

In 2017/18 Council had a \$578,000 Net Operating Deficit before capital grants and contributions (3.8% of income), due in part to the lost revenue from the expired SV. While the current year's original budget expected a small surplus, longer-term projections show increasing deficits in each year out to 2028/29.

The extent of these annual shortfalls is reduced when a successful SV application is modelled, but the deficits still remain. This is despite factoring approvals into the long-term projections to extend expiring SVs in 2021/22 and 2022/23, which together contribute around \$937,000 (5.5%) to current annual operating revenue.

With an Unrestricted Current Ratio of 8.7 Council can temporarily alleviate the short-term impacts of ongoing deficits but, as shown by the projections included in Section 3.3, longer-term declines in liquidity are predicted in each of the three scenarios Council has modelled.

One of Council's financial sustainability principles is to '*achieve a fully funded operating position*'. The 3% operational component of this SV is therefore needed to move Council closer to a more sustainable, long-term financial position and help to ensure the continuation of current service levels. The 2019/20 budget benefits from productivity improvements of over 1% (\$178,000) as a result of initiatives over the last five years. Additional savings from new initiatives and increased revenue will be required to further strengthen Council's future financial position.

The *Fit for the Future* assessment carried out by IPART resulted in Council satisfying the financial sustainability criteria. In its submission to IPART however, Council's proposal relied on a successful application for a permanent special variation in 2017/18 of 11.2%, 8.7% above the rate peg for that year. The current SV application percentage is less than that previously proposed to bring Council to a financially sustainable position.

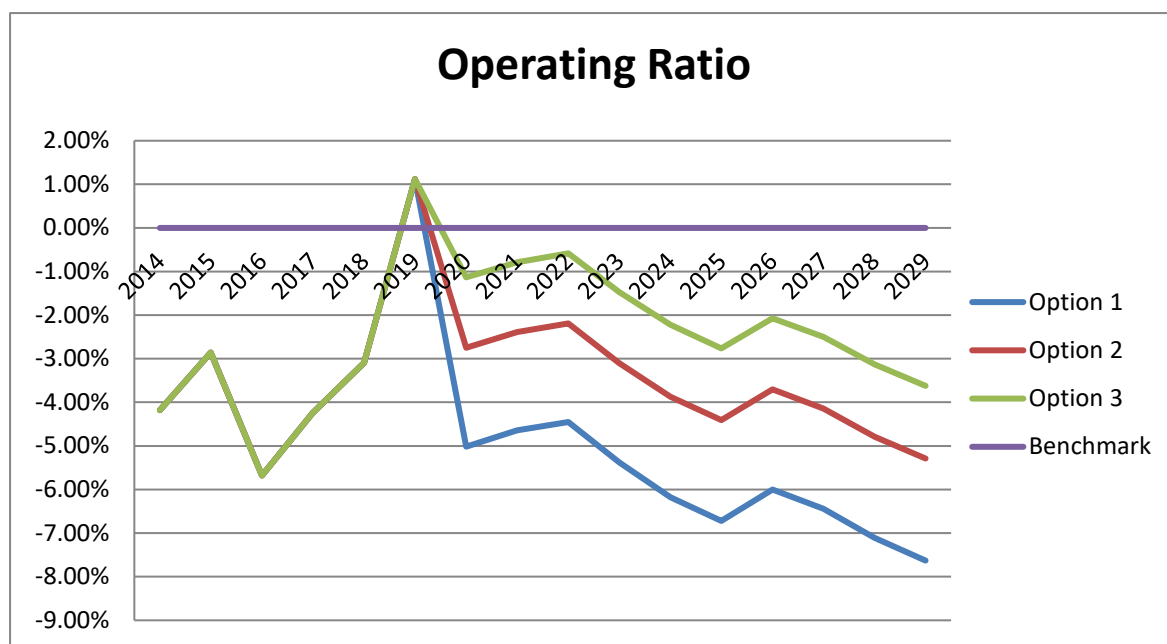
Comprehensive modelling of all three SV scenarios presented to the Hunters Hill community – building from just the rate peg increase, adding community facilities only and then adding the operational increase to this – is shown in the next section (3.3). All the various detailed assumptions that underpin these projections are included in the front of the Long-Term Financial Plan which is an attachment to this submission.

3.3 Financial indicators

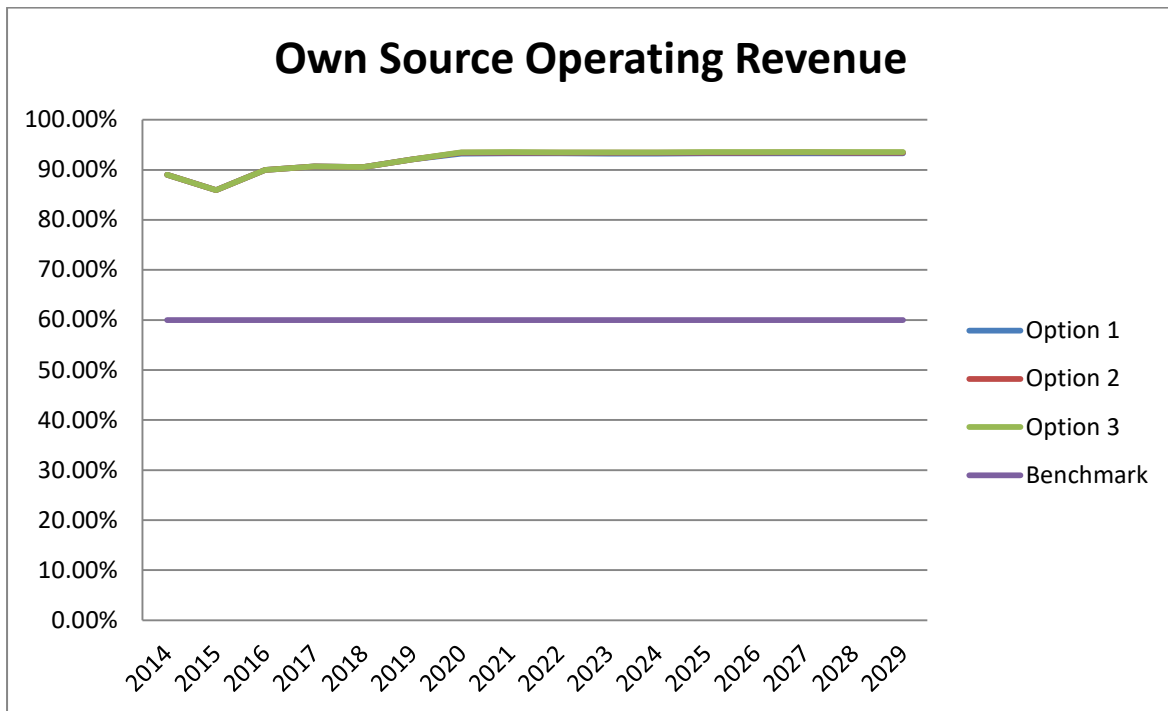
How will the proposed special variation affect the council's key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the Long Term Financial Plan, an analysis of council's performance based on key indicators (current and forecast) which may include:

- ▼ Operating performance ratio excluding capital items (ie, net operating result excluding capital grants and contributions as percentage of operating revenue excluding capital grants and contributions).
- ▼ Own source revenue ratio (ie, total operating revenue excluding capital items as a percentage of total operating revenue including capital items).

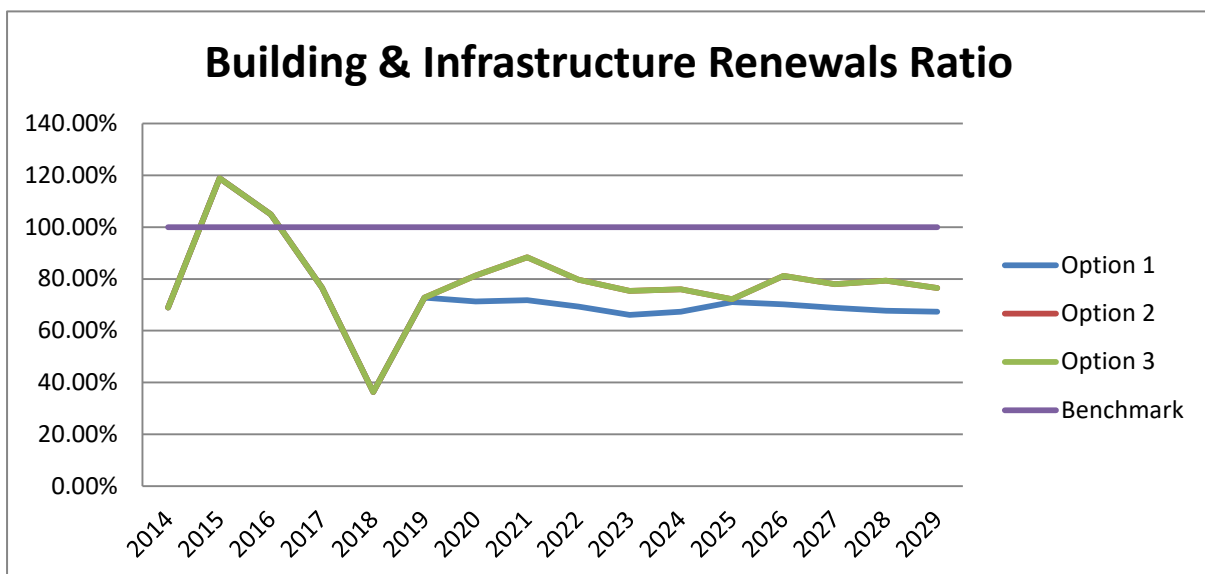
- ▼ Building and asset renewal ratio (ie, building and infrastructure asset renewals as a percentage of building and infrastructure depreciation, amortisation and impairment)
- ▼ Infrastructure backlog ratio (ie, estimated cost to bring assets to satisfactory condition as a percentage of total (written down value) of infrastructure, buildings, other structures, depreciable land and improvement assets)
- ▼ Asset maintenance ratio (ie, actual asset maintenance as a percentage of required asset maintenance).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue).



The Operating result except for option 3 across the term of the plan is less than the benchmark of greater than zero.

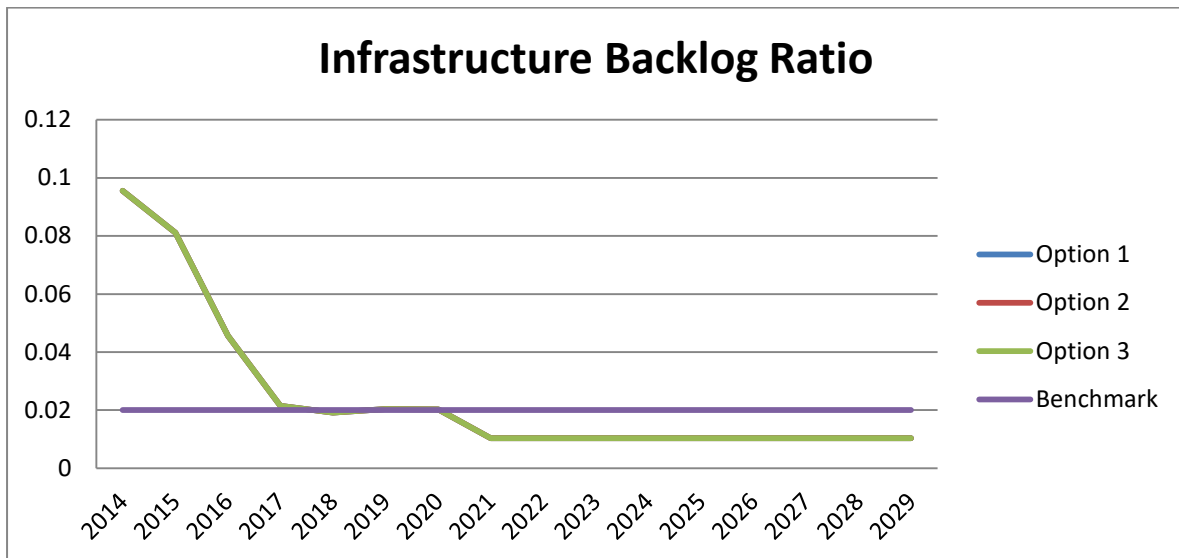


The own source operating revenue is greater than the 60% benchmark for the term of the plan for all options.

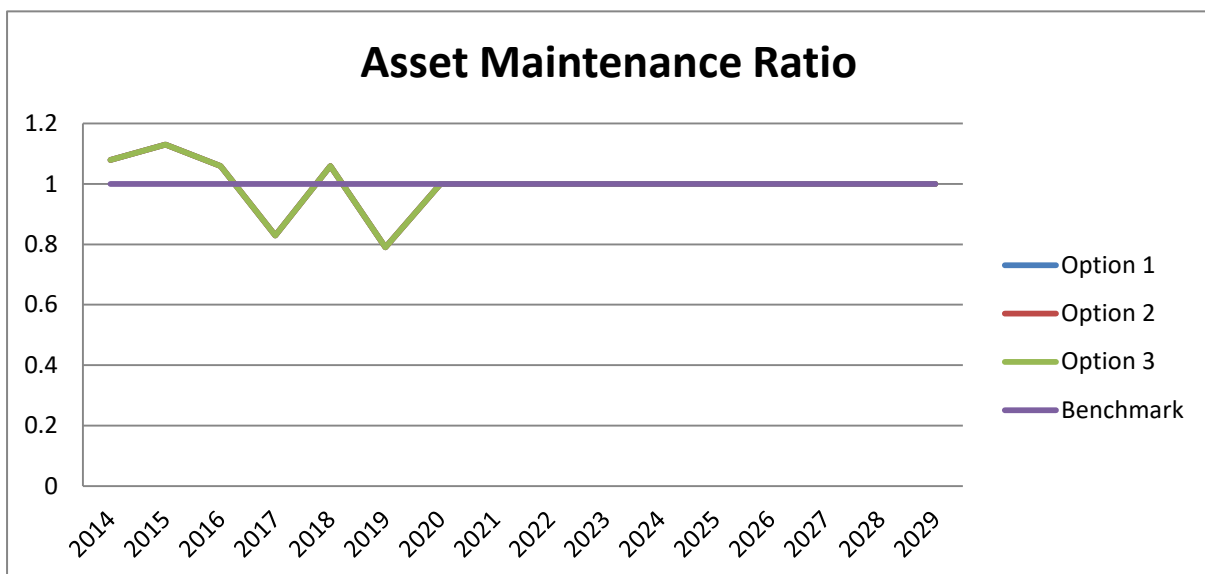


Building and Infrastructure renewals ratio is below the benchmark for all options for the term of the plan.

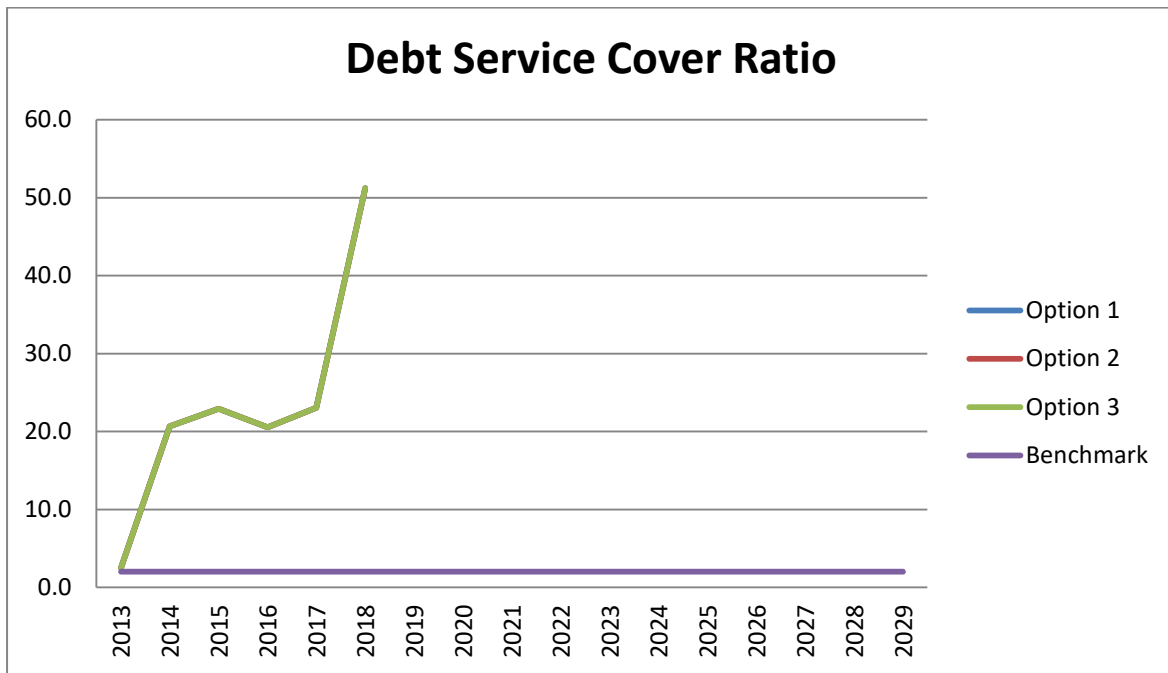
Funding of capital renewal works will have to be reviewed with the Asset Management Plans.



The Infrastructure Backlog Ratio meets the benchmark based on current condition ratings.

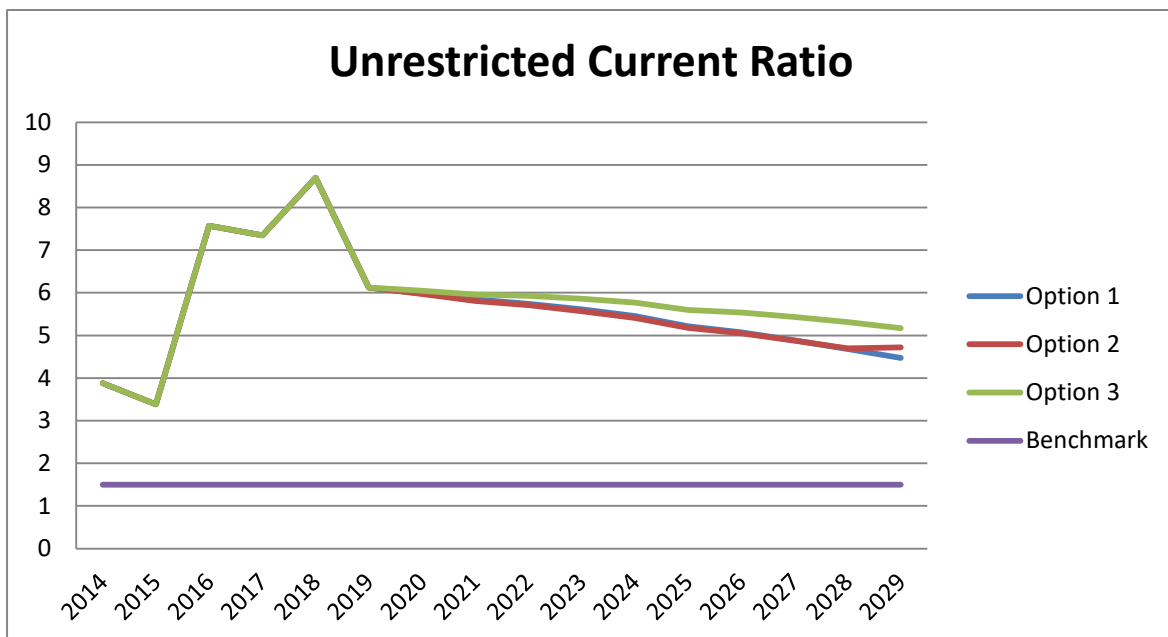


The Asset Maintenance Ratio meets the benchmark for the majority of the plan.

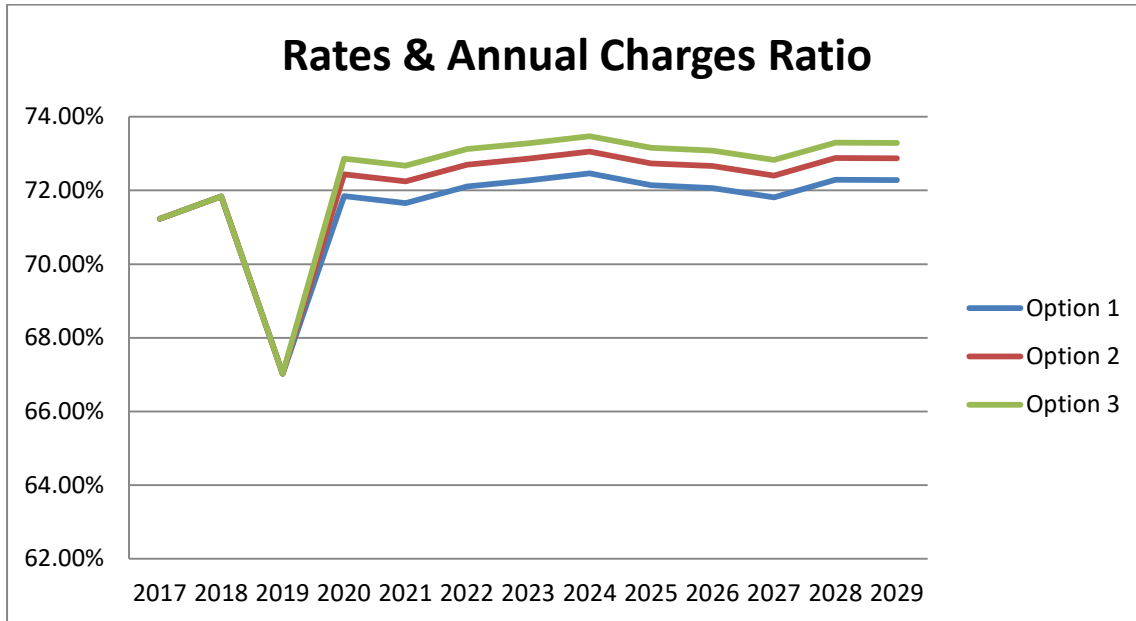


Refer 4.4 Borrowing Costs

The benchmark of greater than 2 times is met until 2018-19 when the debt has been repaid.



An unrestricted current ratio of greater than the sustainable benchmark of greater than 1.5 is maintained for the term of the plan.



Council receives revenue from a number of different sources with rates and annual charges comprising the majority of council income.

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the full cumulative increase of the proposed special variation in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.

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

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

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

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

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

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

¹ <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

Box 4.1 Where a council is renewing or replacing an expiring special variation

The council's application should show how it has explained to its community:

- ▼ There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.
- ▼ The corresponding percentage of general income that the expiring special variation represents for the relevant year.
- ▼ Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.
- ▼ The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.
- ▼ If the proposed special variation was not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall.

The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chair.

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

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

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

4.1 The consultation strategy

The council is required to provide details of the consultation strategy undertaken, including the range of methods used to inform and engage with the community about the proposed special variation and to obtain community input and feedback. The engagement activities could include media releases, mail outs, focus groups, statistically valid random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

The council is to provide relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation and attach relevant samples of the council's consultation material.

The IP&R framework has opened the way for Hunter's Hill Council and its community to have important discussions about visions, funding priorities, service levels, preserving local identity and to plan in partnership for a more sustainable future.

During the process of completing the IP&R mandatory reporting framework, which included prioritising the community's needs and expectations, Council determined that to meet current asset and service standards, an extension of existing rating levies and a special variation to general income was required.

Council also determined that developing a robust SV Community Engagement Strategy would be vital in understanding the impacts of the proposed rating structure. Therefore, Council devised a number of objectives which included to:

- Enable the community to understand why an extension of a SV rate is needed.
- Raise awareness about the potential benefits and impacts of a SV.
- Receive feedback from residents about what is important and where Council funding should be allocated should the SV extension be approved.
- Build a reputation amongst the community for being transparent and a conduit for change, built on community need and perception.

To ensure delivery of Council's objectives it was important for Council to actively engage with property owners. This was achieved through the following strategies:

- delivering a SV Information booklet to every household and property owner.
- placing information in Councils newsletter and e-newsletter.
- undertaking an independent and statistically valid telephone survey of 400 residents by IRIS Research.
- placing advertisements in local newspapers.
- providing an editorial in local newspapers.
- enabling the community to email feedback.
- enabling the community to provide feedback by phone.
- placing information on Council's website and social media platforms.

Council's SV Communication and Engagement Strategy is attached.

4.2 Feedback from the community consultations

Summarise the outcomes and feedback from the council's community engagement activities. Outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council's special variation intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any

action that it has taken, or will take, to address issues of common concern within the community.

SUMMARY OF FEEDBACK FROM WRITTEN SUBMISSIONS (ATTACHED AS A SEPARATE DOCUMENT)

During the engagement and exhibition period a total of 65 written submissions were received.

Set out below is a summary of the submissions received in relation to each of the options:

Option 1: Rate peg increase (Statutory increase that all Council's receive) Number received: 34

Summary of feedback and comment:

- Hunters Hill should have been amalgamated and expressing dissatisfaction in the Council spending funds to oppose the merger.
- Rates are already high due to increasing land values.
- A review of current costs should be undertaken first and consideration of shared services prior to seeking an increase to rates.
- Individuals on fixed incomes or pensioners and already experiencing increased costs (e.g. energy costs) and expressing that they do not have capacity to increase their own income to meet and increase in rates.
- Expressing general dissatisfaction with the provision of services and facilities in the past (e.g. playgrounds; neglect of Gladesville)

Option 2: Rate peg + Community Facilities SV (10 year period)

- Number received: 8 plus 2 that supported both Option 2 and 3.
- Summary of feedback and comment:
- Maintaining current levels in relation to assets where the basis of the support was focussed on specific maintenance of assets.

Option 3: Rate peg + Community Facilities SV (10 years) + Operational SV (permanent)

Number received: 14 plus 2 that supported both Option 2 and 3.

Summary of feedback and comment:

- To address maintenance and improve Hunters Hill
- Rate rise is modest and seen as important to maintain the heritage, beauty and amenity of the area and viewed positively as seen to deliver benefit
- Supportive of levy to ensure that current service level maintained and local projects delivered
- Concern about costs shifting onto local government

Other comments

In the feedback there were a number of comments that indicated that individuals were not opposed to an increase in rates. However, they were seeking further information about the projects, in terms of how they were selected, costs and timeframes for delivery as well as seeking regular information about implementation.

As part of the implementation of any special variation, there will be a communication strategy with regular updates. Work is underway on the new Council website as well as refreshing the communication methods Council uses to engage with its community. As an example of this, at the recent precinct meetings held by Council, email addresses were gathered to begin to form an email data base that can be used to improve the communication channels between Council and its community.

TELEPHONE SURVEY RESULTS SUMMARY (IRIS RESEARCH REPORT ATTACHED AS A SEPARATE DOCUMENT)


In addition to seeking written submissions, IRIS Research were engaged to undertake a telephone survey of approximately 400 property owners, which represents a statistically valid survey sample with a maximum error rate of +/- 4.9% at a 95% confidence level.

The purpose of this survey was to:

1. Measure the level of satisfaction with the current standard of community facilities in Hunters Hill.
2. Measure the importance residents place on the maintenance of these community facilities.
3. Understand whether ratepayers would prefer to pay a levy to see facilities maintained and renewed; or whether they would prefer to see a reduction in the standards to which infrastructure is currently maintained.
4. Gain an insight into whether ratepayers feel the Maintenance Levy that has been in place for the past 10 years has been good value.
5. Gauge the level of understanding of the Special Rates Variation proposal Council is considering.
6. Understand ratepayer preference when it comes to a choice between the different levy proposals Council is considering.

The IRIS Research Survey Report highlighted:

"There is relatively strong ratepayer support for the introduction of a Special Rate Variation (SRV) levy to help maintain community infrastructure at an acceptable level.



The survey results indicated that seven in ten (71%) supported an additional levy to cover the funding shortfall needed for renewal and maintenance of infrastructure, against the alternative of a reduction in community facilities standards.

This figure was replicated when ratepayers were asked for their preferred rate option with 71% opting for one of the two special levy options:

Option 2 – Improved asset maintenance; or

Option 3 – Improved asset maintenance and services.

Ratepayers are fairly evenly split over which of the two special rate options they prefer:

38% prefer Option 2 – Improved asset maintenance; and

33% prefer Option 3 – Improved asset maintenance and services.”

(IRIS Research Survey Report)

5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

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

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

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

5.1 Impact on rates

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

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

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

Councils should also indicate the impact of any other anticipated changes (eg, receipt of new valuations) in the rating structure.

Currently Council has two ordinary rates - Residential and Business.

In addition there are three Special Rates that apply to all residential and business properties. These are:

- Environmental Improvement
- Road Infrastructure, and

- Other Infrastructure.

The Residential Rate has a minimum rate and the Business Rate has a base amount. Each of the three Special Rates has a base amount.

The 2019/20 rate structure proposes the same structure as 2018/19 but with two additional Special Rates:

- Community Facilities, and
- Operational.

The Community Facilities Special Rate (replacing a Special Variation that expired in 2017/18) will have a base amount. The Operational Special Rate (the 3% component of the proposed special variation) will be based on land value only i.e. no minimum or base amount.

Worksheets 5a and 5b contain details of the impact of the proposed variation across residential and business ratepayers and at various land values. In summary, based on average land values, residential rates will increase by \$168.91 next year and business rates will go up by \$142.39.

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5.1.1 Minimum Rates

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

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

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

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

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

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

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

Which rates will the increases apply to? Residential ☐ Business ☐ Farmland ☐

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

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

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

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

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

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

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

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

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

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

The majority of ratepayers/properties that pay the minimum rate are Residential Strata Units within the various suburbs of Hunters Hill Council area. Currently, residential properties with a Land Value less than \$553,000 attract a minimum rate.

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

- ▼ is seeking to increase its ordinary minimum rates to any level at or below the statutory limit (even if the increase is by more than the rate peg); or

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

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

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

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

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

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

What will the minimum amount of the ordinary rate/s be after the proposed increase? \$559.51 Residential Only

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

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

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community's capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council's hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

Socio-Economic Indexes for Areas (SEIFA) is an ABS product that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census of Population and Housing.

Hunter's Hill Council ranks as the 10th most advantaged local government area in Australia as seen in the 2016 SEIFA Index:

10 MOST ADVANTAGED AREAS

Rank	Local Government Area	Usual Resident Population
1	Ku-ring-gai (NSW)	118,053
2	Mosman (NSW)	28,475
3	Woollahra (NSW)	54,240
4	Cottesloe (WA)	7,597
5	Peppermint Grove (WA)	1,636
6	Nedlands (WA)	21,121
7	North Sydney (NSW)	67,658
8	Lane Cove (NSW)	36,051
9	Cambridge (WA)	26,783
10	Hunters Hill (NSW)	13,999

In addition analysis of household income levels in the Hunters Hill local government area compared to NSW shows the following:

- There are 15% of households with an income of less than \$33,000 pa compared with NSW 20%.
- There are 43% of households with an income greater than \$156,000 pa compared with NSW 19%.

There is certainly a correlation between the SEIFA data and responses received from Hunter's Hill Council property owners. There were only a few responses that indicated property owners would have difficulty in funding a rate increase.

These responses included:

- 'I am a pensioner struggling with all annual expenses, starting with health, house, car, insurance, etc'.
- 'Our rates are already extremely high at \$4,000 pa and an above inflation increase would be extremely hard to budget for in these low interest times as a self funding family.'

5.3 Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise to address issues of hardship.

Does the council have a Hardship Policy?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

It is not proposed to have any special measures to limit the impact of the proposed special variation. Pensioners who are in receipt of a Pensioner Concession card from Centrelink or Veteran Affairs are eligible for the rebate (maximum \$250.00 per annum) provided they meet all of the criteria. Any other ratepayers in financial difficulty (usually through unemployment or illness) can then enter into an arrangement to pay an agreed amount either on a weekly, fortnightly or monthly basis to ease them over their time of hardship.

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

Criterion 4 in the Guidelines is:

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

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.²

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

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.³ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

Council's previous suite of IP&R documents touched on Council's need to reinstate the expired Community Facilities SV and include an Operational Rate.

However, following review of the Office of Local Government's IP&R Manual and IPART's SV Guidelines Council included further financial detail and re-exhibited the suite of IP&R documents.

The following table outlines the process of advertising and placing on exhibition Council's re-exhibited IP&R documents.

Date	Action	Details
12/11/2018	Report to Council – Draft IP&R documents	Council endorses the public exhibition of IP&R docs and calls for community comment
12/11/2018	Advertisement on Council's Website	Complete suite of IP&R docs uploaded to Council's website

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

³ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

28/11/2018	IP&R Exhibition advertisement	Council advertises exhibition of IP&R docs in The Weekly Times newspaper
05/12/2018	IP&R Exhibition advertisement	Council advertises exhibition of IP&R docs in The Weekly Times newspaper
12/12/2018	Report to Council – Draft IP&R documents	Council adopts the suite of Draft IP&R documents

Extract from Council Meeting No.4450 – 12 November 2018:

This report sets out options in relation to the rating structure for the 2019/2020 financial year. Any options, other than applying the annual rate peg amount must be submitted to the IPART for approval.

In line with the Office of Local Government and the IPART's requirements it is proposed to seek feedback from residents and property owners on these options.

As part of this process it is necessary to re exhibit the suite of Integrated Planning and Reporting documents.....(P.195, Council Business Paper, Meeting 4450 12 November 2018)

The ability to deliver on the Community Strategic Plan is key to ensuring that the community's needs and aspirations are met, in terms of service delivery and projects. This also needs to be considered within the context of the Long Term Financial Plan of Council.

The Long Term Financial Plan (LTFP) includes strategies relating to rates and assets. These strategies are not new and were included in previous year's iterations of the LTFP, Council's Fit for the Future responses and also in previous SV applications. (P.197, Council Business Paper, Meeting 4450 12 November 2018)

Extract from Council Meeting No. 4453 – 12 December 2018:

The purpose of this report is to:

1. Outline feedback received from property owners regarding three rating options for the 2019/2020 financial year and seek Council's recommendation on which option to proceed with.
2. Seek endorsement of the revised Integrated Planning and Reporting (IP&R) documents that have been on public exhibition for a period of 28 days to meet the Independent Pricing and Regulatory Tribunals (IPART) guidelines in regards to special rate variations.
3. Provide the timeframes associated with the consideration of any Special Variation (SV) in line with IPART's requirements. (P.1, Council Business Paper, Meeting 4453 12 December 2018)

In line with the Office of Local Government and the IPART's requirements it is proposed to seek feedback from residents and property owners on these options. A table outlining responses forwarded directly to Hunter's Hill Council is attached to this report. The close off date for all public submissions is Monday 10 December 2018. IRIS Research who have completed a telephone survey of 400 property owners will provide their report to Council on Monday 10 December 2018.

In addition to asking the community and property owners about which rating option they would support, Council also re exhibited the suite of Integrated Planning and Reporting documents, which included the Community Strategic Plan, Delivery Plan and Operational Plan as well as the Long Term Financial Plan and Asset Management Plan, with the three rating options included. The public exhibition period has now closed. (P.2, Council Business Paper, Meeting 4453 12 December 2018)

COUNCIL RESOLUTIONS

Below is the background information and Council Resolutions relating to this application and the exhibition and endorsement of Council suite of IP&R documents. This commenced in 2016 and concluded in 2018.

In 2015 the NSW State Government required all councils in NSW to submit a *Fit for the Future* application to IPART. Included in the submission was a compulsory 'Council Improvement Proposal'. This document required all councils to outline financial improvement strategies and potential outcome.

The Hunter's Hill Council submission identified the need to continue to implement Special Rates (SR) to ensure the ongoing effective maintenance and renewal of valuable community infrastructure.

Council subsequently resolved at its Ordinary Meeting 4415 held 12 December 2016:

- 416/16
1. That Council notifies IPART of its intention to apply for a Special Rate Variation (SRV) for 2017/18.
 2. That a Councillors Workshop is held on Saturday 4 February 2017.

Following Ordinary Meeting 4415 Council received Rating Guidelines from IPART which stated that '*any councils where a merger is pending due to legal proceedings will not be eligible for a special or minimum rate variation for the 2017/18 rating year.*'

Therefore, Hunter's Hill Council was deemed ineligible and could not continue the 4% Community Facilities Special Rate Variation (SV) that had been in place for the previous 10 years.

Council subsequently resolved inter alia at its Extra Ordinary Meeting 4442 held 2 July 2018:

- 211/18 4. Subject to a further report providing additional information, including the inclusion of potential operating and capital revenue from property projects included in the LTFP and an indicative SV percentage % increase, that Council considers making an SRV application for 2019/20.
5. A report is provided to the Ordinary Meeting scheduled for 27 August 2018 on a community engagement strategy for a proposed SRV application, as per the proposed timeline included in this report.

Council considered a report on the Special Rate Variation Engagement Strategy at its Ordinary Meeting 4447 held 10 September 2018 and resolved to receive and note a report which tabled Council's Special Variation Engagement Strategy.

Following this meeting Council subsequently resolved at its Ordinary Meeting 4450 held 12 November 2018:

- 356/18 1. That Council receive and note the report.
2. That Council endorse the revised Integrated Planning and Reporting documents setting out the three rating options for public exhibition for a period of 28 days to meet the Office of Local Government and Independent Pricing and Regulatory Tribunals (IPART) requirements in relation to special rate variations.
3. That a further report be provided to Council following public exhibition for consideration prior to making a formal submission to the Independent Pricing and Regulatory Tribunal.

Clr Miles and Clr Collins requested their names be recorded as being opposed to the resolution of Council on this matter.

At Hunter's Hill Council Meeting 4453 – 12 December 2018 Council resolved:

1. That the report be received and noted.
2. That Council support Option 3 and submit to IPART.
3. That Council notify the community and property owners of Council's decision in relation to the application.
4. That Council endorse the suite of Integrated Planning and Reporting documents.

RECORD OF VOTING	
YES	AGAINST
Clr Mark Bennett	Clr Ben Collins
Clr Elizabeth Krassoi	Clr Zac Miles
Clr Justine McLaughlin	
Clr Jim Sanderson	
Clr Ross Williams	

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

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

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

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

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

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

Over the last five years, since 2014/15, Council has implemented several initiatives that have reduced expenditure and/or increased efficiency.

These are estimated to have saved around \$450,000 over that period.

The 2019/20 budget will benefit by \$178,000 as a result of these initiatives, representing just over 1% of estimated operating expenditure.

Long-term forecasts also assume continuation of these efficiencies.

The initiatives can be broadly classified as:

Type of Productivity Improvement	Estimated Annual Saving (2019/20 \$ value)
Improved purchasing contracts	70,715
Fleet restructuring	47,519
Service Innovation	60,167
Total	178,401

Some specific examples of productivity improvements include a new street sweeping contract, replacement of trucks with utility vehicles, changing road signage to less-maintenance road markings and electronic business papers.

In 2019 Council will be undertaking further initiatives which will include:

- optimising efficiencies and effectiveness through service delivery reviews
- developing a Property Strategy
- optimising building hire and capacity
- continuing joint tenders and procurement for capital works projects
- developing regional procurement opportunities
- reviewing licenses and leases
- optimising grant funding opportunities
- reviewing fees and charges.

The Property Strategy as highlighted above will generate opportunities for revenue. This Strategy will be progressed in early 2019. However, it will take 18 months plus to realise any significant revenue streams back to Council, that is, until 2021. To support this initiative, Council has recently formed a Property Committee to develop this model in the first part of 2019. An important part of this Committee will be to review Council's property holdings to support objectives in the LTFP.

Council will also be working towards the delivery of a number of shared service opportunities with neighbouring councils. Council will increase efficiencies by working with an adjoining Council and sharing IT software platforms and resources.

Council will also continue its strong collaboration with NSROC councils in ensuring the efficient delivery of the Sport and Recreation Strategy outcomes as well as sharing community services such as collaboration and actions generated out of the Disability Inclusion Action Plan (DIAP).

There are additional asset sales that Council will progress, including the partial road closure and proposed subdivision in Serpentine Rd, Hunters Hill. Council is considering a proposal to close part of an unmade road, aggregate the part closed with adjoining Council land and dispose of the resultant lot created by subdivision.

Council will also be progressing a number of development opportunities. This includes a revised LEP to guide the future development of Gladesville. This is currently with the NSW Department of Planning for finalisation and gazettal. This work was undertaken in consultation with the Hunter's Hill community and the Ryde City Council.

Council owns a number of properties within the precinct that may present development or redevelopment opportunities to Council. Proceeds from sales, or revenue earned, would be returned to the Capital Works Reserve and used to fund future Capital Works programs.

While there are financial challenges facing Council both now and over the next few years, optimising productivity improvements and adhering to the following objectives will continue to assist Council in maintaining a sound financial position.

To provide necessary financing for capital improvements within the parameters of Council's debt servicing capacity and annual allocations by the Division of Local Government

These objectives coupled with the proposed 2018/19 rate structure and beyond are based on ensuring the increase in rates are still manageable for most property owners. Council has highlighted to its community a comparison of rates with Lane Cove and Ryde City Council, which is detailed in the following table:

	What rates are in place?	What is the proposed residential rate/s based on a land value of \$1,530,000?	What is the total proposed residential rate based on a land value of \$1,530,000?
Hunter's Hill Council	<ul style="list-style-type: none"> • Ordinary Rate • Environmental SV • Roads Infrastructure SV • Other Infrastructure SV (footpaths, kerb & gutter) • Pending IPART approval of a Community Facilities Levy • Pending IPART approval of an Operational Special Rate 	\$1,549.95 \$36.49 \$77.32 \$51.59 \$70.05 \$52.13	\$1,837.53
Lane Cove Council	<ul style="list-style-type: none"> • Ordinary Rate • Stormwater Levy 	\$1,831.68 \$25.00	\$1,856.68
Ryde City Council	<ul style="list-style-type: none"> • Ordinary Rates • Environmental 	\$1,146.54 \$286.34	\$1,903.00

	Levy <ul style="list-style-type: none"> • Special Infrastructure, Renewal & Maintenance Rate • Stormwater Levy 	\$445.12 \$25.00	

When reviewing comparable data it becomes evident that Hunter's Hill Council is maintaining rates at a level which is acceptable to its community.

8 List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications (eg, extracts from the Community Strategic Plan).

Other attachments will be required from some, but not all, councils. For example, extracts from the Asset Management Plan would be required from a council seeking approval of a special variation to fund infrastructure.

Councils should submit their application forms and attachments online through the Council Portal in the following order. Councils may number the attachments as they see fit.

Item	Included?
Mandatory forms and Attachments	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
NSW Treasury Corporation report on financial sustainability (if available)	<input checked="" type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Resolution to apply for the proposed special variation	<input checked="" type="checkbox"/>
Certification (see Section 9)	<input checked="" type="checkbox"/>
Other Attachments	
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input checked="" type="checkbox"/>
Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	<input checked="" type="checkbox"/>
Other (please specify)	<input type="checkbox"/>

9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Hunter's Hill Council

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

General Manager (name): Lisa Miscamble

Signature and Date:

Responsible Accounting Officer (name): May Vilaythong

Signature and Date:

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