ATTACHMENT 10

COUNCIL REPORTS

Outcomes of Community Consultations including Community Feedback and Council Response

ATTACHMENT 10 Part A

COUNCIL REPORT
11 OCTOBER 2016

Outcome of Service Level Review Consultations.

Item: 211	**GM - Fit for the Future - Outcome of Service Level Review and Proposed Resourcing Options for Stage 2 of the Fit for the Future Community Engagement Strategy - (79351, 95496)**
Previous Item:	4, Ordinary (2 February 2016) 146, Ordinary (26 July 2016) 138, Ordinary (12 July 2016) MM, Ordinary (27 October 2015) RM, Ordinary (30 June 2015) 85, Extraordinary (23 June 2015)

REPORT:

Executive Summary

This report has been prepared to advise Council of the outcomes of the Service Level Review consultations undertaken during August 2016 as part of the Fit for the Future (FFTF) Community Engagement Strategy adopted by Council at its Ordinary Meeting of 26 July 2016. The report details the findings of Stage 1 of the Community Engagement Strategy '*Listening to the Community*'. On the basis of the Stage 1 outcomes, the Report proposes three resourcing options to be presented to residents under Stage 2 of the Community Engagement Strategy '*Investing in Your Future*', which is scheduled to be implemented in October and November 2016.

Consultation

The issues raised in this report concern matters which require community consultation under Council's Community Engagement Policy. As Council has been previously advised, Council's revised FFTF Proposal included provision for a comprehensive three-stage community engagement strategy to be conducted between July 2016 and February 2017. This report outlines the outcomes of Stage 1 of the CE Strategy and the proposed options for further discussion with residents to be undertaken during Stage 2 of the CE Strategy during October and November 2016.

Background

The development and implementation of Council's revised FFTF Strategy has been part of an ongoing process of review. Since 2007, Council has been implementing measures to improve its long-term financial sustainability with a particular focus on addressing the legacy of past decades of under-investment in assets renewal. The release of the NSW Government's Local Government Reform Program in September 2014 has required Council to accelerate its progress in achieving this task.

There have been a number of key background documents which have highlighted the financial sustainability challenges faced by local government and informed the direction of the FFTF reform framework. These include:

- *Financial Sustainability of the New South Wales Local Government Sector* released by NSW Treasury Corporation (TCorp) in in April 2013. The report found that based on current trajectories, the financial sustainability of local government was deteriorating due to a structural funding shortfall associated with asset maintenance and renewal. TCorp recommended that councils consult with their community on the most appropriate mix of revenue increases, expenditure reductions and service level reviews to address this shortfall.

- *Local Government Infrastructure Audit* released by the NSW Division of Local Government. The Audit Report identified the management of assets as an important component of council functions and noted that the majority of councils in NSW were under-spending in the area of asset management. The Report also advocated community service level negotiations including a consideration of loan borrowing and revenue measures to address asset renewal backlogs.

- *Revitalising Local Government: The Final Report of the NSW Independent Local Government Review Panel (ILGRP)* released in October 2013. The ILGRP Report also highlighted the threat posed by declining financial sustainability of local government and that the future of many councils were 'at risk' due to weak revenues and infrastructure backlogs.

- *Fit for the Future: A Blueprint for Local Government* released by the Office of Local Government in September 2014 which outlined the process for local government reform. Under this reform framework all councils were required to submit proposals demonstrating plans to achieve long term financial sustainability when measured against seven asset and financial benchmarks.

As part of the FFTF process Council reviewed the condition of assets and undertook detailed long term financial modelling. This work demonstrated that Council only met three of the seven benchmarks and that while Council had been taking steps since 2007 to substantially reduce its annual funding the financial modelling indicated that it would still require an additional annual investment of $9.1M to meet the asset related FFTF benchmarks.

This situation is not unique to the Hawkesbury Local Government Area. Councils across NSW are facing similar challenges to find long term solutions for managing infrastructure. This has largely been driven through an improved understanding of the condition of existing assets and a greater focus on long term financial stability.

Achieving Financial Sustainability

Since 2007, Council has been implementing a rolling program of expenditure reductions, operational efficiencies and revenue measures to generate the additional investment required to progressively address its structural asset renewal shortfall and infrastructure backlogs. Council has not gone down the path of closing services or reducing service levels as successive community surveys have clearly indicated that this option is not supported by the community. As a result of this efficiency program, Council has been able to preserve and improve service levels while directing substantial additional investment towards maintaining and renewing the assets that Council manages on behalf of the community.

In summary, the following outcomes were achieved:

- a reduction in annual operating costs by $2.1M a year in real terms
- the realisation of $1.3M from the sale of properties that were surplus to requirements (and in the previous six years an additional amount of $7.9M was realised)
- the implementation of fairer service charging, to increase our annual revenue by $800,000 so that people not using fee paying Council service were not subsidising the people who were
- the generation of an additional $1.4M on average a year in rating revenue through an infrastructure renewal program funded through a special rate;

These measures enabled Council to reduce its annual operating costs while at the same time increasing investment in community assets by an average of $7.7M a year, and finding the additional $803,000 a year that was required to establish new services in response to community requests and Council resolutions. In total Council was able to achieve $10.6M in annual savings and revenue measures which enabled it to increase investment in assets by just over 75% and establish new services and increase service levels while at the same time reducing its overall operating costs in real terms.

In July 2016, Council adopted a revised FFTF Plan, containing a mix of 20 revenue, expenditure, and business improvement strategies which will build on the progress achieved since 2007 in addressing the asset renewal shortfall and infrastructure backlogs (an abridged version of the Plan is appended to this report in Attachment 1). These measures will enable Council to achieve the FFTF benchmarks by which Council's future sustainability will be measured. The FFTF Plan will achieve the following outcomes by 2021:

- generate further operational savings of $2.4M a year
- raise a further $1.5M from the sale of properties
- achieve a further $386,000 a year from the continued application of fairer service charging
- generate an additional $1.7M a year in revenue from a combination of dividend payments, stormwater charges, and a special levy on large scale residential developments
- direct an additional $9.1M to asset renewal works in accordance with work plans contained in revised S94/94A Plans and Voluntary Planning Agreements.

In summary, since Council commenced its strategy to achieve the goal of financial sustainability, by 2021 it will have:

- reduced its operating costs by $4.5M a year
- generated $10.7M from property sales
- raised $1.2M a year through fairer service charging
- generated $3.1M a year from other revenue sources
- increased investment in asset maintenance and renewal by $ 14.4M a year.

These outcomes have enabled Council to make substantial progress in funding its asset renewal shortfall and infrastructure backlogs. In particular, the recent revision of Council's original FFTF Plan has reduced the balance of annual revenue required to completely address Council's infrastructure renewal and backlog requirements. In turn, this has enabled Council to decrease the size of the notional Special Rate Variation (SRV) from 29.7% in the original FFTF Plan to 19.9% in the revised FFTF Plan, which was adopted by Council on 26 July 2016. The SRV in the revised plan is intended to raise the balance of $4.6M required to complete Council's transition to a sustainable council by 2021.

Current Situation

Central to Council's revised proposal to achieve the FFTF benchmarks (in particular the Operating Performance Ratio) is a community engagement strategy to canvass with residents their level of satisfaction with current service levels, their priorities for future investment and their preferred resourcing options for funding the asset renewal shortfall. At its Ordinary Meeting of 12 July Council endorsed the commencement of this strategy. The strategy is consistent with the key findings of the reports which have informed the FFTF reform framework.

Stage 1 of the FFTF Community Engagement Strategy '*Listening to the Community*' was conducted in August 2016. This service level review first stage was implemented via seven public meetings, a statistically valid telephone survey, an on-line survey and information kiosks set up a six different shopping venues. These activities were supported by published fact sheets and postcards, advertisements in local newspapers and through Council's online engagement portal.

Outcomes of Service Level Review

In broad terms, the service level review indicated that residents were dissatisfied with the condition of the assets that Council manages on their behalf, and that residents wanted Council to improve service levels by increasing investment in assets. The priorities for this investment, as identified by residents were roads, both sealed and unsealed, stormwater drains, town centres and public spaces, public toilets, footpaths and parks. The outcomes of the consultations are summarised below.

Public Meetings

Seven public meetings were held in Pitt Town, Kurrajong, Windsor, North Richmond, Richmond, Colo Heights and St Albans. At these meetings information was provided to residents about the different assets that Council manages on their behalf and the challenges faced by Council in maintaining and renewing these assets (a copy of the PowerPoint presentation presented to residents is appended to this report in Attachment 2). A Q&A session was then held before residents were asked to participate in a simple exercise to identify their priorities for future investment including the option of no further investment (residents were issued with tokens to allocate according to their preferences).

A summary of the outcomes of the public meeting, including written responses to the questions raised by residents, was subsequently emailed to residents who attended the meetings. Table 1 summarises the investment priorities identified by the 200+ people who attended the public meetings; the three top ranked preferences were roads and drainage, community buildings, and parks and public spaces.

Table 1: Priorities for Future Investment: Public Meeting Attendees

Asset Class	Pitt Town	Kurrajong	Windsor	North Richmond	Richmond	Colo Heights	St Albans	Total	%
Footpaths and Cycleways	10	17	8	5	11	1	4	56	10%
Roads and Drainage	58	43	10	26	16	18	91	262	46%
Cultural Facilities	2	11	12	3	3	0	15	46	8%
Sport and Recreation Facilities	20	10	4	4	4	2	7	51	9%
Community Buildings	8	8	10	9	13	10	16	74	13%
Parks and Public Spaces	10	8	12	5	6	13	20	74	13%
No Investment Required	0	1	1	0	0	1	0	3	1%
	108	**98**	**57**	**52**	**53**	**45**	**153**	**566**	**100%**

Telephone Survey

Council engaged Micromex Research to conduct a telephone survey. The 405 respondents who made up the statistically valid sample for the survey identified some clear priorities in terms of their preferred investment. In analysing the survey results, Micromex Research advised Council that there was no indication that residents were willing to see any investment reductions across any of the asset classes (a copy of the Micromex report is appended in Attachment 3). Table 2 summarises the priority rating, satisfaction and investment priorities identified by the survey respondents. The outcomes are ranked by order of investment priority (the last column).

Table 2: Priorities for Future Investment: Micromex Telephone Survey

Asset	Priority	Satisfaction	Investment
Condition of sealed roads	93%	2.31	0.89
Condition of public toilets	75%	2.58	0.69
Condition of unsealed roads	60%	2.46	0.68
Condition of stormwater drains	81%	2.81	0.67
Condition of town centres and public places	80%	3.16	0.63
Condition of parks	83%	3.41	0.57
Condition of footpaths	70%	2.9	0.56
Condition of playgrounds	60%	3.36	0.45
Condition of playing fields and courts	54%	3.32	0.37
Condition of swimming pools	46%	3.4	0.34
Condition of community centres and halls	45%	3.26	0.34
Condition of the visitor information centre	47%	3.32	0.29
Condition of libraries	52%	3.78	0.18
Condition of cycle paths	33%	2.91	0.16
Condition of the museum	35%	3.32	0.06
Condition of the gallery	27%	3.39	-0.06

The investment score (the third column) ranged from 0.89 for sealed roads, meaning that on balance 89% of residents would like to see increased investment in sealed roads to – 0.06 % which indicated that on balance 6% of residents would like to see investment in the regional gallery decreased (this particular figure represents the difference between the 14% of residents who wanted to see more investment in the gallery, and the 20% of residents who wanted to see less investment). The Micromex report concluded that the first seven asset classes (as identified in Table 2) with an investment priority of 0.56 or above represented an above average preference for increased investment.

On-line survey

The 87 people who completed the online survey generally identified the same investment priorities as those identified in the telephone survey: roads, shared pathways, stormwater drains, public toilets, town centres and public spaces.

Shopping Centre Information Kiosks

Most of the 685 residents who spoke with staff at the information kiosks set up at six different shopping centre venues took the opportunity to share their concerns and focused on roads and traffic in particular.

Resourcing Options

The information collected from Stage 1 of the Fit for the Future Community Engagement Strategy has been used to refine the resourcing strategy options proposed to be presented to residents under Stage 2 of the CE Strategy.

Council's revised FFTF Plan amended 12 of the 20 strategies in the original proposal. These amendments were aimed at achieving more substantial expenditure reductions and revenue targets to reduce the size of the notional SRV that was included the original proposal.

The revised FFTF Plan, excluding the notional SRV and taking into account updated financial modelling will improve Council's operating position but will still leave a shortfall which was intended to be funded through the notional SRV of $14.49% above the projected rate peg amount. Council's revised FFTF Plan proposed that up to three resourcing options should be presented to the community with each option achieving (at least) the same FFTF outcome as would notionally be delivered by the notional 14.49% rating increase.

One of these options was to include a no SRV option with identified service level reductions and the second option the notional SRV option outlined in the revised FFTF Plan. A third option has been developed which proposes a larger SRV increase of 22.5% above the rate peg with the additional revenue directed to an ongoing program of road and town centre improvements. This option has been included as the outcome of the August 2016 service level review consultations indicated that residents wanted Council to undertake a program of works beyond those works which could be funded under the notional SRV in the revised Fit for the Future Plan.

Table 3 summarises the three resourcing strategy options, their impacts on rates, their capacity to fund the cost of maintaining and renewing assets, and their performance against the FFTF benchmarks.

Table 3: Summary of Strategy Options

Rate option (impact on service levels)	Rating increase	Funding impact	Asset condition	New assets	FFTF benchmarks
❶ Deteriorate	Increase of 7.5% over three years in line with rate peg amount. Cumulative increase of 7.69% over three years	Generate $7.6M over 10 years which will not be sufficient to fund the increasing cost of Council operations.	Decline in condition of assets with a focus on managing risk, including the possible closure and removal of unsafe assets.	No capacity for new capital works apart from those funded by grants and developer contributions	Will not meet benchmarks unless substantial service reductions are implemented
❷ Stabilise	Increase of 14% over the rate peg amount. Cumulative increase of 22.9% over three years (including the rate peg amount)	Generate $41.8M over 10 years which together with a borrowings program would allow an additional spend of: • $44.3M on roads • $2.6M on public domain • $1.4M on buildings	Condition of assets would stabilise and increase capacity to fund preventative maintenance and renewal	Limited program of asset upgrades to augment works funded from by grants and developer contributions	Will meet Fit for the Future benchmarks
❸ Improve	Increase of 21% over the rate peg amount. Cumulative increase of 31.29% over three years (including the rate peg amount)	Generate $61.2M over 10 years which together with a borrowings program would allow an additional spend of: • $57.6M on roads and footpaths • $13.3M on public domain • $7M on buildings	Condition of assets would stabilise and improve over time	Able to fund new infrastructure and increase gravel road sealing, road rehabilitation and public domain programs	Will meet Fit for the Future benchmarks

In addition to the Options presented in the table above consideration has been given to a 'hybrid' approach comprised of a combination of service cuts and rating increases.

So as to assess whether this would be a viable variation, financial modelling was undertaken to gauge whether this approach would have a significant impact on the size of the rating increase as compared to the Options proposed in the above table.

Financial modelling based on a notional amount of $1.5M achieved through service cuts was undertaken. The financial modelling was based on the assumption that $0.5M in service cuts would occur in the first year (2017/2018) with the remaining $1M in service cuts assumed to occur in the second year (2018/2019).

Whilst a notional amount of $1.5M was modelled, the actual amount that would be saved over the two years would be significantly less when taking into account matters such as the cost of staff redundancies, any notice periods applicable to contractual arrangements and asset holding implications. The erosion of the $1.5M assumed gross savings due these costs results in a corresponding increase in the extent of the rating increase required.

It is further to be noted that Council's FFTF Plan already includes savings to be achieved through service level reviews, such as reduction in opening hours of relevant services across Council. Also included in this proposal are target savings to be achieved through reviewing the fee structure for some of the services that could, if Council wishes to, be cut completely. Due to these existing inclusions in the FFTF, the assumed notional service cuts savings of $1.5M, would be further eroded.

The inclusion of service cuts totalling $1.5M would result in a cumulative rating increase of 18% including rate-pegging over the three years compared to a 22.9% as per Option 2.

From a residential ratepayer's perspective this would be equivalent to a $1 per week saving, or $52 per year, cumulative over three years, when compared to Option 2.

Council would need to determine whether it would be preferable to present the community with an option of an 18% increase with a rolling program of significant service cuts or a 22% option with service levels maintained.

As outlined earlier in this report, the community does not appear to have an appetite for service closures. Council's previous experience in going down this path generated considerable controversy which impacted on Council's reputation.

On this basis, it is proposed that these three resourcing options outlined in Table 3 should form the basis of Stage 2 of the FFTF Community Engagement Strategy.

Stage Two Consultation – 'Investing in Your Future'

It is proposed that Stage 2 of the FFTF Community Engagement Strategy '*Investing in Your Future*' should be conducted over six weeks in October and November 2016. As for the Stage 1 consultations, it is proposed to hold public meetings, telephone and online surveys, and information kiosks supported by printed fact sheets, advertisements in local newspapers and through Council's online engagement portal.

It is also proposed that an information brochure be mailed out to all residents and non-resident ratepayers, which will outline in detail the three options and their impacts on rates, assets and service quality. The brochure will also provide background information, including the positive actions taken to date by Council to improve its financial position and the management of community assets. The brochure will include a reply paid postcard to provide the opportunity for residents to tick their preferred resourcing option and provide feedback to Council.

The following key messages have been proposed for the Stage 2 community engagement strategy and will be used in the published materials and presentations be conducted as part of this phase of the strategy:

1. Council's vision is to build a strong and successful future for the Hawkesbury. Council is committed to improving the wellbeing of our community and environment.

2. Council aims to provide the best possible value for money service for the community while actively working to strengthen financial sustainability.

3. Council has assessed the community's desired levels of service and expectations, and with current funding, cannot adequately resource this service level expectation.

4. Like many councils, Council is experiencing significant challenges in being financially sustainable while continuing to provide current level of service into the future.

5. Over the past nine years Council has worked hard to identify savings and operating efficiencies to maintain service levels. Council has put in place an improvement plan to generate further savings and efficiencies to increase our investment in community assets so that we can meet the community's service level expectations.

6. Part of Councils strategy for increasing income is to engage with the community on options for achieving affordable and acceptable levels of service including a possible special variation on rates.

7. Taking into consideration the outcomes of the community engagement on options for resourcing our future, Council will decide whether or not to proceed with a SRV application.

8. The results of this community engagement will be used in the review of the Community Strategic Plan and will help ensure that we are working together with our community to build a successful future for the Hawkesbury.

Next Steps

The merger proposal public inquiry process together with the recent Council election have impacted on the time frame available to undertake and complete meaningful consultations with residents under the FFTF Community Engagement Strategy that Council endorsed in July 2016.

The Office of Local Government and IPART require notification of an intention to apply for a Special Rate Variation for 2017/2018 to be submitted by 9 December 2016. As a notional rate increase is a key component of Council's revised FFTF Plan to transition to a sustainable council by 2021 and to ensure that Hawkesbury City Council can remain stand alone, the proposed time frame for Stage 2 of the Community Engagement strategy has been scheduled so that Council can be briefed on the outcomes of the Stage 2 consultations on 22 November 2016, prior to the outcomes being formally reported to Council on 29 November 2016. At this point Council can determine if it wishes to notify IPART of its intention to apply for a Special Rate Variation.

Should Council resolve to notify IPART of its intention to apply for an SRV, Council's adopted Delivery Program, Long Term Financial Plan and Strategic Asset Management Plan will be revised and placed on public exhibition between December 2016 and January 2017 for a period of 50 days; the legislative requirement is a 28 day exhibition period and this is extended to account for the Christmas/New Year Break. The SRV process requires Council to revise its Integrated Planning and Reporting (IPR) documents to outline need and purpose of a SRV and to seek community submissions on the three resourcing scenarios so that these submissions can be considered by Council prior to its decision regarding an SRV.

It is proposed that Council would be briefed on the outcomes of the public exhibition of the IPR documents prior to the outcomes being formally reported to Council on 31 January 2017. This time frame will enable Council to determine if it wishes to proceed with an SRV application which will be required to be lodged with IPART by 13 February 2017.

Other Options

It should be noted that giving notification of an intention to apply for an SRV is not binding and does not commit Council to proceeding with an SRV. However, Council should be aware that the NSW State Government has made it clear that it will monitor and hold councils accountable for the implementation of their FFTF Plans. Given Council's recent experience with the proposed merger, there is a clear imperative for Council to satisfy the FFTF requirements and reinforce its commitment to working towards becoming financially sustainable. The implications of not satisfying the FFTF requirements and not proceeding with the actions within Councils revised FFTF Plan may be significant.

If Council were not to proceed with the proposal to consult with residents on the proposed resourcing scenarios, including the SRV options, there would be a need to reconsider its commitment to current levels of service across a broad range of community programs including the rationalisation of its asset holdings. The proposed resourcing scenarios which incorporate an SRV are intended to generate sufficient long term revenue to allow Council to increase its level of expenditure on the maintenance and renewal of infrastructure without compromising the range and standard of services currently provided to the community.

The option of a possible merger has been comprehensively evaluated as part of a public inquiry process which concluded that the merged entity would not be financially sustainable and would not address the asset renewal funding shortfall.

Service Level Reductions

At the Councillor Briefing session held on Tuesday, 4 October 2016, there was some discussion of possible additional service level reductions which could be applied to further reduce the size of the notional SRV within Council's adopted Fit for the Future Plan. In this respect it should be noted that the $2.4M in annual savings within the adopted Plan includes proposed reductions in operating hours for some Council facilities to bring them in line with current industry benchmarks, a review of service delivery models, the adoption of new technologies and economies of scale to achieve further operational and staff savings.

To assist Council in considering these matters, Table 4 below outlines a list of discretionary services which Council is not obliged to provide but which it currently provides because of historical precedents, or to meet a community service obligation, or more generally to respond to community need or gaps in service coverage by other levels of government. The list excludes those services which Council is required to provide by legislation and also excludes infrastructure related services on the basis that it would not be appropriate to reduce these services given that the goal of Council's adopted FFTF Plan is to increase investment in assets.

The table lists services, programs and activities by functional areas and documents the net operating costs of these services, programs and activities as at 2016/2017. The table also translates these operating costs into a percentage rating equivalent to highlight the scope of a possible reduction in rating increase which could be achieved should the service, program or activity be discontinued. The third column in the Table then translates the percentage rating increase into the average annual saving that would be achieved by the rate reduction for each ratepayer (per rateable property). It should be noted that staffing costs represent the major expenditure item for most of the services, programs or activities listed in Table 4.The discontinuation of a particular service, program or activity may trigger redundancy and industrial provisions which would have the effect of reducing potential savings and increase the time frame by which the discontinuation of a service, program or activity could be finalised.

The table should assist Councillors to identify potential savings should they wish to pursue further service level reductions.

Table 4: Net operating cost of discretionary services and their notional rating equivalents

Service, Program or Activity	2016/2017 net OPEX	% rate equivalent	Indicative annualised rate savings per property
Community Programs			
Contribution to Peppercorn Services	98,496	0.32%	$3.85
Community Sponsorship Program	71,866	0.23%	$2.81
Youth Programs + Youth Summit	31,041	0.10%	$1.21
Access and Inclusion Programs	95,763	0.31%	$3.74
Community Buildings Management	77,194	0.25%	$3.02
Community Safety Programs	63,620	0.21%	$2.49
Community Partnerships & Engagement	179,953	0.59%	$7.03
Total Community Programs	**617,933**	**2.02%**	**$24.14**
Cultural Programs			
Windsor Central Library	1,216,948	3.98%	$47.55
Richmond Branch Library	267,135	0.87%	$10.44
Library Resources plus Materials	297,091	0.97%	$11.61
Regional Gallery	393,060	1.28%	$15.36
Regional Museum	335,703	1.10%	$13.12
Total Cultural Programs	**2,509,937**	**8.20%**	**$98.07**
Heritage Programs	**30,721**	**0.10%**	**$1.20**
Economic Development Programs			
Visitor Information Centre	246,446	0.81%	$9.63
Local Economic Development Program	225,482	0.74%	$8.81
University Scholarships	15,100	0.05%	$0.59
Total Economic Development Program	**487,028**	**1.59%**	**$19.03**
Citizenship and Civic Programs			
Rural Alliance	1,500	0.00%	$0.06
Sister Cities	25,850	0.08%	$1.01
Hawkesbury Show	17,584	0.06%	$0.69
Australia Day + Citizenship Activities	20,790	0.07%	$0.81
Major Events Sponsorship	109,858	0.36%	$4.29
Christmas Celebrations	15,000	0.05%	$0.59
Communications & Public Relations	410,842	1.34%	$16.05
Total Citizenship & Civic Programs	**601,424**	**1.97%**	**$23.50**
Recreation Programs			
Richmond Pool	131,390	0.43%	$5.13
Hawkesbury Leisure Centres	208,298	0.68%	$8.14
Community Nursery	57,503	0.19%	$2.25
Academy of Sport	11,600	0.04%	$0.45
Total Recreation Programs	**408,791**	**1.34%**	**$15.97**
Lower Portland Ferry	**345,315**	**1.13%**	**$13.49**
Notional back office overhead reduction	1,771,784	5.79%	$69.23
Total Discretionary Services	**6,772,933**	**22.1%**	**$264.64**

As previously indicated, the outcomes of consultations to date have indicated that the community do not wish to see the closure of services or the reduction of service levels. For this reason, the notional resourcing option within Council's adopted FFTF Plan has been developed to provide a mechanism by which Council can best respond to the demand for improved service levels with a particular focus on roads. This option will enable Council to deliver an affordable program of sealed road rehabilitation and gravel road sealing and provide a positive response to community concerns expressed during the merger inquiry process about current service levels.

This option will also facilitate a more constructive dialogue with residents about the resourcing requirements to achieve the proposed works. The experience of other councils suggests that it would be more difficult to prosecute a resourcing scenario which would see both service level reduction and increased special rates.

Conformance to the Hawkesbury Community Strategic Plan

The Plan is consistent with the Shaping Our Future Together Directions Statement;

- The Council be financially sustainable to meet the current and future needs of the community based on a diversified income base, affordable and viable services
- Maintain its independent identity and voice through strong local government and community institutions

and is also consistent with the nominated strategy in the CSP being:

- Improve financial sustainability
- Work with the community to determine affordable levels of service and facilities

Financial Implications

The budget implications of the three resourcing scenarios have been outlined in this report.

RECOMMENDATION:

That;

1. Council receive and note the outcomes of Stage 1 of the Fit for the Future Community Engagement Strategy and the Micromex Research Asset Management Report (Attachment 3).
2. Council approve the implementation of the Stage 2 Fit for the Future Community Engagement Strategy including the three resourcing strategy scenarios as outlined in this report.

ATTACHMENTS:

AT - 1 Fit for the Future Revised Council Improvement Proposal: Abridged Version (*Distributed Under Separate Cover*)

AT- 2 '*Listening to Our Community*' PowerPoint presentation, August 2016

At - 3 Hawkesbury City Council Asset Management Report prepared by Micromex Research August 2016 (*Distributed Under Separate Cover*)

ATTACHMENT 10 Part B

COUNCIL REPORT
12 SEPTEMBER 2017

Outcome of
Investing in Your Future
Consultations.

ORDINARY MEETING

Meeting Date: 12 September 2017

Item: 159 **GM - Outcome of 'Investing in Your Future' Community Consultation - (79351, 95496, 96328)**

Previous Item: 60, Ordinary (28 March 2018)
273, Ordinary (13 December 2016
241, Ordinary (8 November 2016)
211, Ordinary (11 October 2016)
146, Ordinary (26 July 2016)
138, Ordinary (12 July 2016)
4, Ordinary (2 February 2016)
85, Extraordinary (23 June 2015)
RM, Ordinary (30 June 2015)
MM, Ordinary (27 October 2015)

REPORT:

Executive Summary

This report has been prepared to advise Council of the 'Investing in Your Future' community consultation outcomes. It briefly outlines the three stage Fit For The Future community engagement process that Council commenced in July 2016 to gather information from residents about service levels (Stage 1) and the future directions of the Hawkesbury (Stage 2). The outcomes of these consultations informed the preparation of the three Investing in Your Future resourcing options presented to the community (Stage 3) as outlined below:

Option 1 - Annual rate increases in line with assumed rate peg over three years
Option 2 - Special rate increase of 14.5% above rate peg over three years
Option 3 - Special rate increase of 22.5% above rate peg over three years.

Based on the outcomes of the consultations undertaken over the past twelve months the report recommends that Council identify Option 3 as its preferred investment vehicle. This option will provide Council with the capacity to:

- respond in a meaningful way to the community investment priorities identified by residents during the Fit For The Future consultations
- delivering on the key activity areas within Council's Delivery Program
- progressively realise the community's long term vision for the Hawkesbury as set out in the Hawkesbury Community Strategic Plan 2017-2036.

The report proposes that Council prepare additional documentation for public exhibition with the outcomes and submissions of the public exhibition to be further reported to Council prior to Council determining its final position on proceeding with a Special Rate Variation application.

Consultation

The issues raised in this report concern matters which required community consultation under Council's Community Engagement Policy. As Council has been previously advised, Council's Fit For the Future Improvement Plan included provision for a comprehensive three-stage Fit For the Future community engagement strategy. The outcomes of Stages 1 and 2 of this strategy have been previously reported to Council. This report outlines the outcomes of Stage 3 of the community engagement strategy and proposes the preparation of additional material for public exhibition.

ORDINARY MEETING

Meeting Date: 12 September 2017

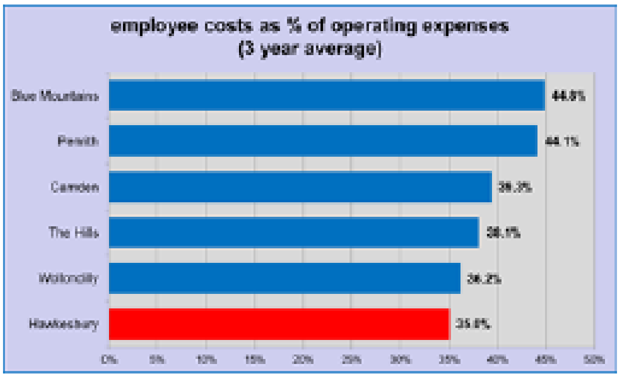
Background

The development and implementation of Council's Fit For the Future Improvement Plan has been part of an ongoing process of review. Since 2007, Council has been implementing measures to improve its long-term financial sustainability with a particular focus on addressing the legacy of past decades of under-investment in asset renewal.

As a result of these measures Council has been able to increase its spending on asset renewal and maintenance by an average of $7.4M a year. The release of the NSW Government's Local Government Reform Program in September 2014 required Council to accelerate its progress in achieving financial sustainability.

The measures that have been implemented to date as part of the financial sustainability journey have focused on ensuring that Council retains a lean staffing operation and a diversified revenue base to keep rates as low as possible. Council has completed extensive financial modelling of its financial position including a comparative assessment of key expenditure and revenue data which indicates that as a result of the measures taken to date, Hawkesbury Council compares favourably with neighbouring councils and those councils in the same local government grouping as the Hawkesbury (Camden and Wollondilly Councils) in relation to employee costs and average residential rates. Figure 1 highlights some of this comparative data. It shows employee costs as a proportion of total expenditure averaged out over the three financial years ending in 2016 and average ordinary residential rates (excluding waste management charges).

Figure 1: Comparative financial data, employee costs and average residential rates



Average Residential Rate 2016/17	
Council	Average Residential Rate
The Hills	$1,049.84
Hawkesbury	$1,108.23
Penrith	$1,225.51
Camden	$1,322.63
Blue Mountains	$1,436.43
Wollondilly	$1,524.23

The comparative data, indicates that Council's staffing costs are proportionally lower than neighbouring councils, while residential rates in the Hawkesbury are significantly lower than the average across neighbouring councils.

As required under the NSW Government's Local Government Reform Program, Council lodged its original Fit For The Future Proposal on 30 June 2015. On 20 October 2015, the Independent Pricing and Regulatory Tribunal (IPART) assessed Council's Fit For The Future Proposal as 'not fit' as it did not meet the required Fit For the Future benchmarks in relation to its Operating Performance Ratio.

Following the NSW Government's decision not to proceed with the proposed merger of Hawkesbury City Council with part of The Hills Shire Council in May 2016, Council was advised by the Office of Local Government that it was required to revise its original Fit For The Future proposal and resubmit it for reassessment. A revised Fit For The Future Reassessment Proposal was subsequently approved by Council on 8 November 2016 and submitted to the Office of Local Government on 24 November 2016.

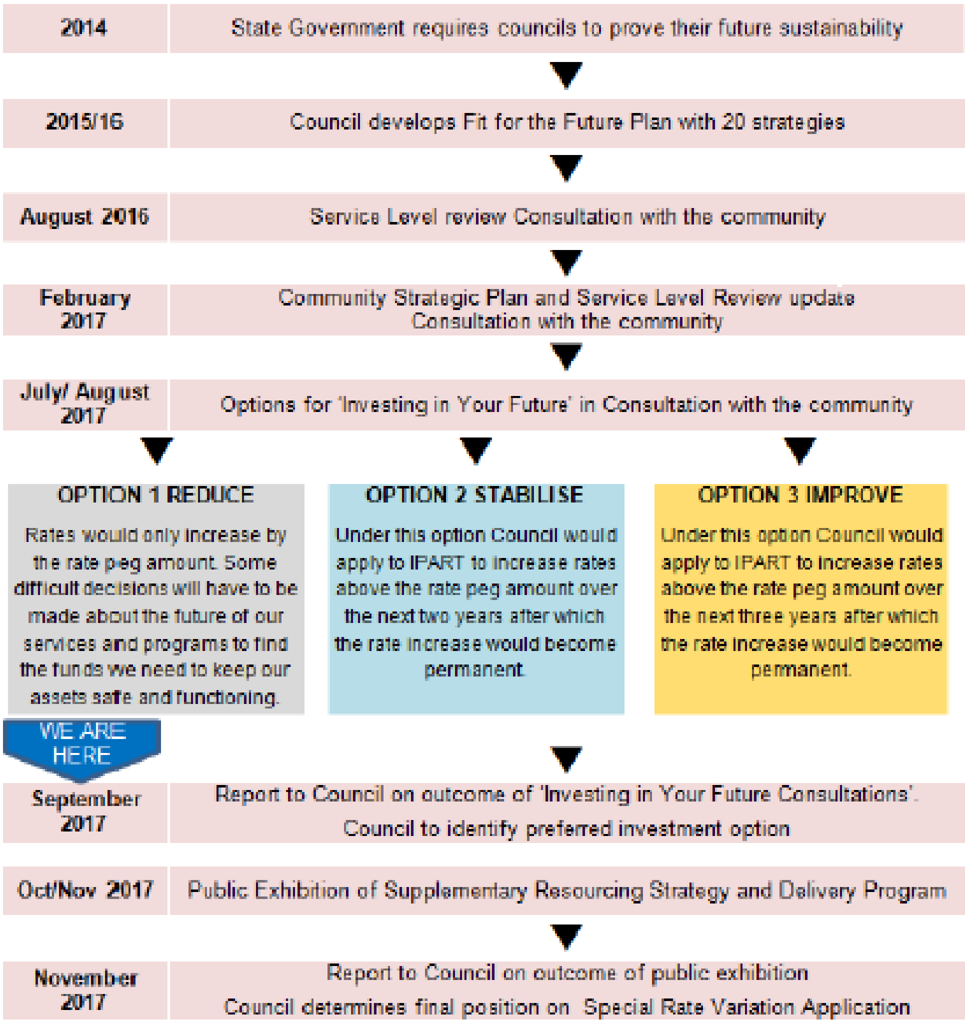
As Council is aware, an external consultant has been commissioned to review Council's Fit For The Future Improvement Plan to identify other possible measures which Council could pursue. The outcomes of this review are to be reported to Council at the next Ordinary Meeting on 26 September, 2017.

On 23 August 2017, Council received advice from the Minister for Local Government, The Hon. Gabrielle Upton MP that Council has been declared found to be "Fit".

Current Situation

As documented in Figure 2 Council's Fit For The Future journey commenced in 2014. In June 2015, Council adopted its Fit For the Future Improvement Plan and commenced its implementation.

Figure 2: Fit for the Future timeline



Two of the measures in the Fit For The Future Improvement Plan required Council to engage with the community to gather information from residents on their satisfaction and expectations for Council's services and facilities, their priorities for future investment as well as their preferred resourcing options for investing in the future. At the same time, Council was required to review and update its Community Strategic Plan and engage with residents as part of this process.

The outcomes of the August 2016 and February 2017 consultations have been previously reported to Council. The most recent Investing in Your Future Consultations are now being reported to Council to enable Council to determine its preferred investment option to facilitate the preparation of additional documents for public exhibition prior to Council determining its final position on a Special Rate Variation application.

The inter-connected Fit For The Future community engagement elements are summarised below in Figure 3.

Figure 3: Summary of Three Stage Fit for the Future Community Engagement Process

Stage 1: *'Listening to Our Community'*  	Consultations where Council went out to hear what residents had to say about their satisfaction and expectations for Council's services and facilities and their priorities for future investment. These consultations took place between 22 July and 24 of August 2016.
Stage 2: *'The Hawkesbury 2036 . . . It's Our Future'*  	Consultations where Council spoke with residents on the things they valued about living in the Hawkesbury and steps to deliver the future that residents wanted to see – a vibrant city with a rural feel. These consultations took place between the 23 January and the 12 March 2017.
Stage 3: *'Investing in Your Future'*  	Consultations where Council briefed residents on its financial position and presented three investment options for residents to consider and asked them to identify their preferred option for investing in the future. These consultations took place between the 10th of July and the 12th of August 2017.

Summary of Community Engagement Activities

This comprehensive consultation program included the following engagement activities:

- 26 town meetings attended by over 923 residents
- 25 information kiosks at shopping centres, markets and Council events where Council staff and Councillors engaged with over 1,500 residents
- two telephone surveys run on Council's behalf by Micromex Research
- a mail out information brochure and postal ballots to all ratepayers
- public exhibition of key documents and calls for submissions
- two online surveys and information up-dates on Council's online engagement portal
- media releases and community newsletters
- targeted engagement with particular community groups.

Stage 3: Investing in Your Future Community Engagement - The Three Investment Options

The focus of the Investing in Your Future consultations was to present information to residents to enable them to come to an informed decision about investing in the future of their communities. As part of this process, information about the three investment options circulated to residents in a number of ways, including:

- information and notices on Council's website
- notices in local newspapers alerting residents to upcoming consultations and the opportunities available to advise Council of their views about the investment options
- emails to residents on Council mailing lists
- discussions with residents at information kiosks at shopping centres and community events
- a telephone survey
- a postal ballot distributed to all ratepayers as part of an information package with the 2017/2018 Rates Notice.

The information brochure outlined the impacts of each of the three investment options on Council facilities and services and how each option would affect average rates. Figure 4 is an extract from the Information Brochure which summarised this information.

Figure 4: Outline of three Investing in Your Future Resourcing Options

Option	WHAT THIS OPTION MEANS	IMPACT ON EXISTING FACILITIES & ASSETS	NEW FACILITIES TO BE BUILT	IMPACT ON COMMUNITY PROGRAMS
1 REDUCE	Under this option rates would increase in-line with the rate peg* amount only. Your rates would increase by 7.69% over 3 years. By 2020 the average residential rate would have increased by $1.66 a week or $86.22 a year. This increase would be permanent.	We will not have enough revenue to repair and renew our roads, buildings and parklands to keep them in a good condition. The condition of these assets will continue to deteriorate and access to them may need to be restricted. Some assets may need to be closed to the public. Service levels will be reduced and we may need to redirect resources from other Council services to keep assets safe and functional.	There would be very limited to no capacity to fund new works such as pathways, community facilities or the sealing of gravel roads. Council would have to rely on government grants or developer contributions (linked to major residential developments) to fund new works, but may not have the revenue needed to repair these new works in future years.	There would be no capacity to fund new programs or services. We may need to review current service levels in our community, cultural, civic, and recreation programs and make some difficult decisions about their future if we are to find the funds we need to keep our key assets safe and functioning.
2 STABILISE	Under this option Council would apply to IPART increase your rates by 14.5% above the allowable rate peg* amount. Your rates would increase by 22.9% over 3 years. By 2020 the average residential rate would have increased by $4.94 a week or $256.78 a year. This increase would be permanent.	We will be able to invest (on average) an additional $4.9 million a year on repairing and renewing our roads, community buildings parks and public spaces. Over time, this increased spending will stabilise the condition of our roads, community buildings, parks and public spaces and keep them in a fair to good condition. Current levels of service will be able to be maintained.	This option will fund a limited program of new capital works to 2027 with a focus on the sealing of gravel roads and upgrades to community buildings. This option would also provide Council with the funds it would need to maintain these new facilities into the future.	Under this option there may be some limited capacity to fund new programs or services. This option may provide the opportunity to reconfigure some existing resources to begin to respond to community priorities.
3 IMPROVE	Under this option Council would apply to IPART increase your rates by 22.5% above the allowable rate peg* amount.Your rates would increase by 31.3% over 3 years. By 2020 the average residential rate would have increased by $6.75 a week or $350.89 a year. This increase would be permanent.	We will be able to invest (on average) an additional $7.7 million a year on repairing and renewing our roads, community buildings parks and public spaces. Over time, this increased spending will stabilise and then improve the condition of our roads, community buildings parks and public spaces and keep them in a good to very good condition. Current levels of service will be able to be increased.	This option will fund a rolling program of new capital works including an ongoing program of gravel road sealing, kerb and gutter construction, a pathway linking both sides of the Hawkesbury River; improvements to parks public spaces and river foreshores and upgrades to community buildings. This option would also provide Council with the funds it would need to maintain these new facilities into the future.	Under this option Council could fund new programs including increased support for volunteers and community organisations, water quality monitoring of waterways, a dynamic program of community events, an accessible heritage program, and programs to revitalise our town centres and villages.

Based on the information provided to them, residents were asked to assess the benefits of each option to determine their preferred investment option.

Outcome of Stage 3 Investing in Your Future Consultations

Figure 3 summarises the outcomes of the Investing In Your Future Consultations. It found that there was majority community support for a special rate variation:

- 57% of the 401 telephone survey respondents supported a special rate option
- 61% of the 156 on-line survey respondents supported a special rate option
- 68% of the 756 postal ballots received from residents supported a special rate option
- 84% of the 194 residents who voted at town meetings supported a special rate option.

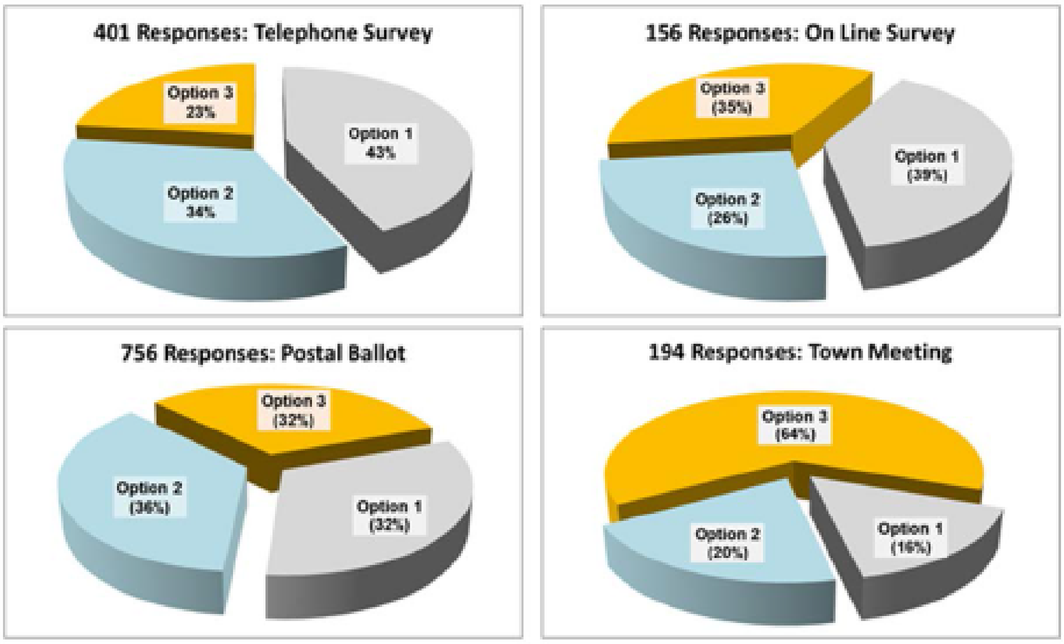


Figure 3: Summary of Preferred Investment Option by Engagement Activity

Overall the level of support for the two special rate options were roughly equal with slightly more support for Option 3, although responses varied according to the engagement activity:

- telephone survey: 34% of respondents supported Option 2, and 23% supported Option 3
- online survey: 26% of respondents supported Option 2, and 35% supported Option 3
- postal ballot: 36% of respondents supported Option 2, and 32% supported Option 3
- town meeting straw poll: 20% of respondents supported Option 2, and 64% supported Option 3.

Town Meeting Responses

During the 'Investing in Your Future' Consultations Community Engagement, Council held 10 town meetings at which Council staff presented detailed information to residents about Council's financial position, the steps that have been taken or were to be taken to address Council's asset renewal funding shortfall, how Council compared with neighbouring councils in relation to its rates, expenditures and revenues, and the other options considered by Council to address its financial position.

The three investment options were then presented to residents together with a detailed works program which outlined the scope of the works that could be delivered under each option.

Residents were also asked to participate in a straw poll to indicate their preferred investment option. While overall there was strong support for Option 3, there were some significant variations across the different localities as highlighted in Table 1. In particular the response from the Maraylya Town Meeting is worthy of note and is an indication of the concern of residents from localities bordering the North West Growth Sector regarding the impact of the most recent Valuer-General property revaluations on their rates.

Table 1: Preferred Investment Option by Town Meeting

Town Meeting	Option 1	Option 2	Option 3	TOTAL
Glossodia	1	5	4	10
Bligh Park	2	3	11	16
Colo Heights	0	2	8	10
Windsor	3	1	21	25
North Richmond	1	3	13	17
Pitt Town	1	12	11	24
Maraylya	21	0	4	25
Kurrajong	2	5	13	20
Richmond	0	4	16	20
St Albans	0	4	23	27
Total	**31**	**39**	**124**	**194**

The town meetings also included a Question and Answer session. While residents' questions were answered at the town meetings, residents were advised that the questions would be recorded together with a written response from Council. These questions and responses are documented in Attachment 1 to this report – they also include matters raised by residents at information kiosks and/or emailed to Council. The information contained in Attachment 1 has been emailed to residents who attended the town meetings.

Summary of Community's Preferred Investment Options

As outlined in Table 2, the key community message from the 'Investing in Your Future' consultations was that overall two-thirds of residents (66%) who participated or were surveyed did not want service levels to reduce and were willing to pay additional rates to maintain or improve service levels.

Table 2: Summary of Preferred Investment Option – Community Responses

Community Engagement Platform	Support for No SRV Option	Support for SRV Options		
		Support for SRV Options	Option 2	Option 3
Telephone Survey	43%	57%	34%	23%
On Line Survey	39%	61%	26%	35%
Postal Ballot	32%	68%	36%	32%
Town Meeting Poll	16%	84%	20%	64%
All Platforms	**33.6%**	**66.4%**	**32.3%**	**34.1%**

In relation to the special rate options, there was slightly higher support for Option 3 than Option 2. While majority community support for a special rate variation occurred across all the community engagement platforms, the outcomes achieved across the different platforms suggested that the more informed residents were about Council's financial position and the purpose of the proposed special rates, the greater their level of support for Option 3.

Identification of Council's Preferred Investment Option

To finalise the completion of the Fit For The Future Community Engagement process that commenced in July 2016, Council now needs to commence the process of identifying its preferred investment option. In this regard, the outcomes of the Investing in Your Future Consultations are a relevant consideration.

The process of identifying Council's preferred investment option essentially commenced in August 2016 when the community was consulted regarding Council's services and facilities. In early 2017, the community was further consulted regarding its aspiration for the future culminating in the adoption of the Hawkesbury Community Strategic Plan 2017-2036 on 28 March 2017. The feedback from these consultations confirmed that:

- the community was not satisfied with current levels of service for a range of Council services, facilities, and activities
- residents would like Council to improve service levels by increasing investment in Council services, facilities and activities
- priorities for future investment should centre on roads, public spaces and town centres
- it was important for Council to invest in programs to support the community and volunteers to look after the Hawkesbury – its heritage, waterways, its future and its people.

Following the adoption of the Community Strategic Plan, Council has adopted a suite of documents to deliver on the directions and strategies in the Plan. These documents included:

- its 2017-2027 Resourcing Strategy which sets out a 10 year plan for translating the objectives of the Hawkesbury Community Strategic Plan 2017-2036 into actions. This document outlined three different financial scenarios which would determine Council's capacity to implement the directions and strategies within the Community Strategic Plan. The document advised that Council would be consulting with residents about the investment options that shaped these financial scenarios.
- the 2017-2021 Delivery Program 2017-2021 which sets out in greater detail the activities to be undertaken by Council over the next four years to begin the staged implementation of the key directions and strategies within the Community Strategic Plan. The Delivery Program placed particular emphasis on achieving the following key activity areas:
  - town centre revitalisation
  - community building
  - financial sustainability
  - connecting with the community
  - building strong and collaborative relationships
  - protecting Hawkesbury's unique environment
  - establishing identity
  - moving towards becoming a carbon neutral local government area
  - reducing our ecological footprint
  - improving transport connections
  - planning for and developing better places and spaces
  - placemaking
  - recognition of heritage and action to reflect that recognition.

By adopting its preferred option Council will be communicating to the community which of the three following options best meets its objectives in relation to the future direction of the Council:

Option 1 **The Reduce Option.** This Option will require Council to reduce service levels by $14.7M over the next three years on top of the $4M in efficiency savings built into Council's Fit For The Future Plan if it is to meet the Fit for the Future financial benchmarks and maintain the condition of community assets. Under this option, Council would be required to reduce services by $5.9M each year over the next three years. There would be no capacity to resource new programs or services to respond to community priorities identified during the Community Strategic Plan consultations.

Option 2 **The Stabilise Option.** This option will provide the minimum additional revenue required to stabilise the condition of assets over the medium term and will enable Council to meet the Fit for the Future benchmarks. It will fund on average an additional $3.4M a year in enhanced asset maintenance and renewal, and a $22.5M program of new works over the next ten years. This option may provide some limited capacity to fund new programs and services to respond to community priorities through the reconfiguration of existing resources

Option 3 **The Improve Option.** This option will provide a longer-term revenue solution which would enable Council to respond in a meaningful way to the objectives of the Community Strategic Plan and the community investment priorities identified by residents. It will fund on average an additional $5.9M a year in enhanced asset maintenance and renewal, and a $29.5M program of new works over the next ten years. In contrast to Option 2, Option 3 will enable Council to invest an additional $1.9M each year after 2027 in responding to community priorities.

Once Council has identified its preferred investment option, staff will prepare a Draft Supplementary Resourcing Strategy and Draft Supplementary Delivery Program to:

- formally advise residents of the results of the 'Investing in Your Future' community consultations
- provide further information to residents on the projected service level outcomes of Council's preferred investment option relative to the other options
- seek further community feedback.

The identification of a preferred investment option will confirm Council's ongoing commitment to building a successful future for the Hawkesbury, and delivering, within available funding, the best possible service outcomes including the continuous review of service provision in line with Council's Fit For The Future Improvement Plan.

The preparation of the draft supplementary documents will highlight relative outcomes on long-term service provision, the capacity to maintain, renew and upgrade community assets, and the resourcing of the key activity areas in the Delivery Program (as identified above). The supplementary documents would also include Council's assessment of the affordability and rating impacts of its preferred resourcing option.

In particular, the financial, workforce and asset management modeling contained in the adopted Resourcing Strategy can be updated in line with the available resources under each of the three Investing In Your Future resourcing options including the identification of adjustments to the funding and provision of operational activities should service level reductions be required to direct additional resources to the critical task of asset renewal (as would be the case under Option 1).

It is proposed that the Draft Supplementary Resourcing Strategy and Draft Supplementary Delivery Program be prepared for Council approval for public exhibition and for Council to seek submissions on these documents. The outcomes of the public exhibition would then be reported to Council prior to Council determining its final position on a Special Rate Variation application which would need to be finalised by the end of November 2017.

Comments by Council Management

As noted in this report, Council has implemented a program of cost containment and non-rating revenue measures which has substantially improved its financial sustainability, and additional efficiency measures will continue to be pursued in conjunction with the implementation of Council's Fit For The Future Plan. In comparison with neighbouring Councils, Council has a lean staffing establishment and relatively lower rates.

Council has also resolved to engage the services of Morrison Low to review Council's Fit For The Future program. This review will involve an analysis of Council's actions to date and proposed actions in the context of similar local government initiatives across the State. The review will be reported to Council on 26 September 2017.

The outcomes of consultations to date indicate that there is majority community support for a special rate variation. The service level consultations undertaken by Council in July and August 2016 clearly indicated that residents did not want service levels to be reduced with a substantial majority favouring increased investment in services and facilities. The recently completed Investing in Your Future Consultations have confirmed that the majority of residents are willing to pay additional rates to fund this increased investment.

Within this context, Council's decision on a preferred investment option on behalf of the community, would seemingly involve a choice between the two Special Rate Variation options as these options do not call for a reduction in service levels and will provide the additional revenue required to increase Council's investment in services and facilities. Option 1, by contrast, would require Council to undertake a substantial round of additional service level reductions over the next three years.

From an operational and organisational perspective, Council management would propose that Option 3, in conjunction with the other measures in Council's Fit For The Future Plan, as the investment vehicle that will best deliver on Council's commitment to build a successful future for the Hawkesbury. In arriving at this conclusion the following factors were considered:

a) Capacity to achieve the community vision for the City of Hawkesbury

While Option 2 will provide the minimum additional revenue required to stabilise the condition of assets over the medium term, Option 3 provides for a longer-term revenue solution which would enable Council to respond in a meaningful way to the objectives of the Community Strategic Plan and the community investment priorities identified by residents. The additional investment that each of the two special rate options can deliver against the community investment priorities over the next ten years is highlighted in Table 3.

Table 3: Additional Investment for community priorities 2018 to 2027, Special Rate Options

Community Investment Priorities		Additional Investment	
		Option 2	Option 3
Roads	Road Maintenance	$4.1M	$5.2M
	Road Rehabilitation - Sealed Roads	$12.8M	$16.2M
	Sealing Gravel Roads	$13.2M	$14.4M
Town Centres, Villages and Public Spaces	Park and Public Space Maintenance	$2.2M	$4.4M
	Public Space Revitalisation	$0.2M	$7.2M
	Activating River and Waterway Foreshores	$0.6M	$1.1M
	Sporting and Recreation Facilities	$0	$3.5M
Shared Pathways	Building new pathways	$1.9M	$6.9M
Community Buildings	Community and Cultural Facilities	$2.5M	$3.4M
	Emergency Services (RFS, SES)	$0.2M	$0.5M
Community Programs	Community Programs	$0	$4.7M

Compared with Option 2, Option 3 provides for a more extensive program of works and will also provide additional staffing and financial resources to enable Council to positively respond to the programs that residents have asked Council to pursue to deliver the future that residents want to see: a vibrant city with a rural feel that values its heritage, waterways, landscapes, public spaces and its community spirit. Option 3 will also generate funds of $1.9M a year after 2027 which will give Council the capacity to resource an ongoing program of new works and activities beyond 2027.

In summary, Option 3 will:

- improve service levels to meet community expectations
- direct ongoing resources to the community investment priorities identified by residents
- place Council in the best financial position to maintain, renew and replace community assets
- increase Council's capacity to achieve the Delivery Program objectives
- accelerate the realisation of the community's long term vision for the Hawkesbury.

b) Community Preference

The outcomes of Council's comprehensive Fit For The Future conversation with residents points to a clear preference by residents for Council to deliver improved services and facilities. Residents also recognised that achieving this outcome would require increased investment in these services and facilities by residents through rating increases to supplement the other cost containment, efficiency and non-rating revenue measures that have been achieved to date and will be continued under Council's Fit For The Future Improvement Plan.

c) Affordability

Council Management is conscious of the financial impact of Option 3 on ratepayers, particularly on low income households. For the average residential ratepayer, Option 3 requires an additional annual investment of $94 a year (the equivalent of $1.80 a week) above Option 2.

Preliminary modeling has been undertaken on the affordability of a special rate increase. Table 4 calculates 'rating burdens' based on the proportion of the median annual household income required to pay the average residential rate across our neighbouring councils and those councils in the same local government grouping as the Hawkesbury (Camden and Wollondilly). It also tracks the change in this 'rating burden' over the past five years.

Table 4: Average residential rate as % of average household income

Council Area	2011/2012			2016/2017			% Change in Rates	% Change household income	% Change in rating burden
	Avg. residential rate	Median annual household income	% of income spent on rates	Avg. residential rate	Median annual household income	% of income spent on rates			
Blue Mountains	$1,131.13	$66,218	1.71%	$1,436.43	$76,542	1.88%	26.99%	15.59%	0.17%
Camden	$1,151.02	$90,046	1.28%	$1,322.63	$106,731	1.24%	14.91%	18.53%	-0.04%
Hawkesbury	$958.63	$72,214	1.33%	$1,108.23	$86,970	1.27%	15.61%	20.43%	-0.05%
Penrith	$963.33	$72,892	1.32%	$1,225.51	$86,448	1.42%	27.22%	18.60%	0.10%
The Hills	$937.88	$106,574	0.88%	$1,049.84	$123,207	0.85%	11.94%	15.61%	-0.03%
Wingecarribee	$1,009.59	$57,041	1.77%	$1,337.56	$69,607	1.92%	32.49%	22.03%	0.15%
Wollondilly	$1,053.25	$77,063	1.37%	$1,524.23	$97,554	1.56%	44.72%	26.59%	0.20%

Table 4 shows that the Hawkesbury has one of the lower 'rating burdens' compared with similar councils , that in contrast to most councils the rating burden has decreased in proportional terms over the past five years, and that median household incomes in the Hawkesbury have increased at a faster rate relative to rating increases.

The preliminary affordability modeling also shows that the relative impact of a special rate increase will be proportionally smaller for low income households in those localities where the proportion of low income households is greater than average for the Sydney Metropolitan Region (Bilpin, Colo Heights, Hobartville, Lower Macdonald, North Richmond, Richmond, South Windsor, St Albans, and Wisemans Ferry). The average residential rate in these localities is $236 (or 21%) lower than the average residential rate across the Hawkesbury. The revised rating structure which took effect from 1 July 2017 has seen an average reduction of $97.99 (or 10%) in the average residential rate in these localities which will further lessen the overall impact of rating increases on low income households. Overall, the revised rating structure resulted in a rates reduction to 19,045 properties (75% of rateable properties), with 11,245 properties experiencing a reduction in rates of more than $100.

Council is aware that the recent property revaluations undertaken by the NSW Valuer-General has resulted in significant rating increases for some ratepayers in localities bordering the North West Growth Sector. In view of these concerns Council has resolved to discuss the rating structure at a workshop prior to the determination of the rating structure for the 2018/2019 financial year.

Council staff are also currently preparing a draft Hardship Policy for Council's consideration, based on the provisions of the Local Government Act 1993, to identify mechanisms to assist ratepayers who may be experiencing substantial financial hardship which may prevent them from meeting their financial obligations. The draft Hardship Policy is scheduled to be reported to Council at the Ordinary Meeting to be held on 26 September 2017.

The proposal to prepare supplementary documents for public exhibition will enable Council to more fully assess and report on the impact and affordability of rating increases on the community.

d) Commitment to ongoing productivity and efficiency

Since 2007, Council has been implementing a rolling program of cost containment, efficiency and non-rating revenue measures to address its operating and asset renewal funding gap. Council's staffing costs (as a proportion of total expenditures) are substantially lower than adjoining councils, while the proportion of total revenues derived from non-rating sources has been increasing over the last three years and at 68.9% are higher than the average for our adjoining councils. As a result of these efficiencies and revenue gains Council has been able to increase its spending on asset renewal and maintenance by an average of $7.4M a year.

These cost containment, efficiency and non-rating revenue measures will continue to be pursued under Council's Fit For The Future Improvement Plan. Council recognises that rating increases are never welcome, which is why these measures have been aggressively pursued prior to the formal consideration of a special rate increase to raise the balance of the revenue that is required to complete the task of budget repair and to fully fund the required level of maintenance, renewal, and replacement of the assets that Council manages on behalf of the community.

Conformance to the Hawkesbury Community Strategic Plan 2017-2036

The proposal is consistent with the following Focus Area, Direction and Strategies within the CSP.

<u>Our Leadership</u>

1.3 Financial Sustainability - Build strong financial sustainability for now and future generations.

- 1.3.1 In all of Council's strategies, plans and decision making there will be a strong focus on financial sustainability.
- 1.3.2 Meet the needs of the community now and into the future by managing Council's assets with a long-term focus.
- 1.3.3 Decisions relating to determining priorities will be made in the long term interests of the community.

Financial Implications

The report proposes that Council identify its preferred investment option for resourcing the future. The investment option chosen will therefore have a direct bearing on the resources available, in revenue, people and assets to achieve the priorities and aspirations of the community for the City of Hawkesbury as set out in the Hawkesbury Community Strategic Plan 2017-2036.

RECOMMENDATION:

That:

1. Council receive and acknowledge the substantial community responses to the community engagement and public exhibition on options for Investing In Your Future and notes the results of this engagement.

2. Council confirm ongoing commitment to building a successful future for the Hawkesbury, and delivering, within available funding, the best possible service outcomes including the continuous review of service provision in line with Council's Fit For The Future Improvement Plan.

3. Based on the outcomes of the Investing in Your Future consultations, and the information presented in this report, Council confirm Option 3 as its preferred Investing in Your Future investment option.

4. Council staff prepare a Draft Supplementary Resourcing Strategy 2017-2037 and a Draft Supplementary Delivery Program 2017-2021 to advise the community of the outcomes of the Investing in Your Future consultations and Council's preferred investment option for further community engagement. These documents to provide further details to residents on the impact of the three investment options on long-term service provision, the capacity to maintain, renew and upgrade community assets, and the resourcing of the key activity areas in the Delivery Program including an assessment of the affordability and rating impacts of its preferred resourcing option.

5. The Draft Supplementary Resourcing Strategy 2017-2037 and a Draft Supplementary Delivery Program 2017-2021 be reported to Council prior to their public exhibition.

ATTACHMENTS:

AT - 1 Investing in Your Future Consultations: Summary of Resident Questions and Feedback

AT - 1 Investing in Your Future Consultations:

Summary of Resident Questions and Feedback

Council's Financial Position and Fit for the Future Plan

Question/Comment	Response
Why does Council need a rate rise if the 2017/2018 budget is balanced?	While Council achieves a balanced cash budget to fund its day-to-day operations, it attains this result at the expense of not funding the true cost of maintaining and renewing community assets. The gap between Council's available funding and the investment required to maintain and renew assets has contributed to an infrastructure backlog, which without positive intervention, will continue to grow. As a result, while a balanced cash budget is delivered each year for operational activities, Council's annual operating result is in deficit. The operating result for 2015/2016 (which includes depreciation and excludes capital grants and contributions) was a deficit of -$10.9 million. This result highlights the financial challenge that Council faces in generating sufficient revenue, to fund on an annual basis, the required level of maintenance, renewal and replacement of assets it manages on behalf of the community.
Why did it take five years for this trend to occur or be recognised?	It is assumed this question refers to the deterioration of Council's Operating Result from 2010/2011 as a result of changes to the valuation of assets under the local government accounting code in 2006. The impact of the changes to the accounting treatment of assets were recognised by Council when they took effect. From 2007, Council began implementing a program of cost containment and non-rating revenue measures to address the asset renewal funding shortfall. In 2007 Council applied to the NSW Government for a Special Rate Variation, which in conjunction with these measures, would have substantially funded its asset renewal shortfall and improved its Operating Result. The NSW Government approved a smaller rating increase than that proposed by Council which was insufficient to cover the projected shortfall with the result that Council's Operating Result deteriorated.
Is the SRV one of the strategies in the 20 point 'Fit For The Future' Plan?	Yes, Council's 'Fit For The Future' Plan included a community engagement strategy to present three resourcing options to residents to raise the balance of the revenue required to increase investment in asset maintenance, renewal and replacement, and address the infrastructure backlog. Two of the three options would involve Council applying to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation.
Will Council be 'Fit For The Future' if we don't get an SRV?	Council is confident that it can meet the criteria set down by IPART for a successful SRV application should this be the resourcing option that Council chooses to proceed with following consultation with the community. In the event that IPART does not approve an SRV, or approves a lesser SRV, Council would need to review it services to identify options for possible service level reductions to redirect resources to fund the asset renewal shortfall and meet the 'Fit For The Future' financial benchmarks.
What happens if Council doesn't meet the 'Fit For The Future' strategies?	Should Council not achieve the implementation of the strategies within its Fit for the Future Plan to meet the 'Fit For The Future' financial benchmarks it may be subject to intervention by the Office of Local Government.
Is the projection of interest the best guess?	It is assumed that this question/comment refers to the proposed $25M to $40M loan which will be taken out to deliver an accelerated infrastructure renewal program with principal and interest payments funded by additional SRV revenue. The projected interest rate for the proposed loan is based on discussions with NSW Treasury Corporation.

Question/Comment	Response
Is the loan borrowed from the State Government?	A low interest loan facility will be entered into with NSW Treasury Corporation.
How much revenue does Council need to meet basic financial commitments? How much more revenue does Council need? Is revenue greater than expenses?	In 2006, Council calculated that its annual operating and asset funding shortfall stood at $12.5M. The expenditure and revenue measures implemented by Council since 2007, together with the measures identified in Council's 'Fit For The Future' Plan (excluding any special rate variation) will have reduced the average annual funding shortfall to $5.1M. This amount represents the remainder of the revenue that Council needs to achieve a balanced operating result – where it can fully fund the required level of maintenance, renewal, and replacement of the assets it manages on behalf of the community.
Who is Hawkesbury City Council's Auditor?	Council's external auditors were previously PricewaterhouseCoopers. Recent changes to the Local Government Act has seen this function transferred to the NSW Auditor General.

Cost Containment and Revenue Measures

Question/Comment	Response
What are developer contributions? Is there a feasible option which would include property developers helping offset the expenditure?	Developer contributions are monetary payments made to Council to upgrade infrastructure and facilities to cater for demand generated by development. Larger scale developments may also need to dedicate land to Council for the provision of open space and/or other facilities. Council currently collects contributions from developers under Section 94 and 94A Developer Contribution Plans, or enters into Voluntary Planning Agreements with developers, to fund or provide the infrastructure required to support new residential development. These funds are earmarked for specific capital works and cannot be used for other operational purposes.
Have you factored in population growth over the next 10 years into the calculations? As there is increased development in the Hawkesbury and therefore more rateable properties, why isn't this solving the problem? With more development and more land opened up does that affect me as a ratepayer?	Yes, Council has projected the likely rating revenue and additional expenses arising from population growth for both new and infill residential development within its Fit For The Future Plan and long term financial scenarios. Residential development in the Hawkesbury is limited by a combination of topography, flooding, evacuation constraints, bushfire risk, airport noise, agricultural land and environmental values. Some increased development is occurring in Pitt Town and North Richmond and is planned to occur in Glossodia and in the Vineyard Precinct of the North West Growth Sector. While residential development does generate additional rating revenue it will also generate additional costs, particularly over the longer term when the new infrastructure provided as part of these developments progressively requires increased maintenance, renewal and replacement. As noted above the net revenue from residential development over the next 10 years has been factored into Council's financial scenarios.
Rates are going up by 30% under Option 3, will grants increase by 30%?	The proposed SRV options are not tied to other revenue sources. Council does vigorously pursue grant opportunities but the success of grant applications are competitively determined by funding bodies based on the applicable assessment criteria rather than changes to Councils rating income. The increase in revenue and works program which can be delivered under Option 3 may provide Council with the additional capacity to apply for grants where 'matching funding' is required.

Question/Comment	Response
How much does the Federal and State Government give Hawkesbury City Council in grants each year?	Grant contributions vary from year to year. In the year ending 30 June 2016 Council received $6.32M in operating grants and subsidies and $3.96M in capital grants – a total of $10.28M. The figure for the 2014/2015 financial year was $8.23M.
31% of Council's revenue is from rates, will other fees and charges be increased or just rates.	Since 2007 Council has been implementing fairer service charging so that people not using fee paying Council services were not subsidising the people who were. Council has increased its revenue from service charges by $800,000 since 2007, and by 2021 will achieve a further $700,000 from the continued application of fairer service charging.
Are there profitable assets? How is Council increasing their profit?	Council has a commercial property portfolio which generates close to $2M in investment income per annum, which Council uses to fund its operations. In managing this portfolio, Council undertake regular independent market appraisals to ensure that it is receiving a market rate of return for these properties. This process ensures that revenue from the portfolio is increased in line with market trends to maintain the profitability of the portfolio.
How are decisions made on which properties/assets are sold? Are the community notified?	Council's property sales has mostly involved properties within its commercial portfolio. These properties are classified as 'Operational' under the Local Government Act and Council is not required to notify or consult with the community on their proposed sale. The decision to sell these properties is one made by Council based on commercial considerations or where a property has been identified as surplus to requirements.
What process do Council use to sell off their properties?	For the proposed sale of properties on 'Community' land, Council is required to undertake a public enquiry to reclassify the land to 'Operational' prior to any proposed sale. The public enquiry process that Council is required to follow is set down in the Local Government Act and involves public notification and community consultation. The majority of Council's properties – community centres, parks and reserves are classified as Community Land and cannot be sold unless they are reclassified as Operational Land following a public enquiry process. Council's disposes of its properties by auction and seeks quotations from real estate agents before appointing an agent to conduct the auction. This process is in line with Council's adopted policy for the sale of properties.
Will you be selling off $1.5M in assets annually to stay afloat?	Council's 'Fit For The Future' Plan includes provision for the sale of under-utilised community assets and/or under-performing commercial assets to raise projected revenue of $1.5M over the next three years. The net revenue from these sales will be used to establish a strategic investment fund to enable Council invest in income producing assets or activities.
Which shopping centres does Council own? Are there any plans to sell off Council shopping centres?	Council own shopping centres in Wilberforce, Glossodia and McGraths Hill. There are currently no plans to sell of these centres but as outlined in a response to a previous question, the rental returns of these properties is monitored and subject to regular review to assess their profitability.
Are there a number of assets that Council is aiming to sell off in the next five years or so?	A small number of 'Operational' properties have been identified by Council for sale and negotiations with prospective buyers are currently underway. Council staff are also reviewing Council's property portfolio to identify additional properties for possible sale where rate of returns of return are low, where no income is being received, or where properties are not required for community purposes. The sale of these properties will be subject to Council approval and a public enquiry process where the property is required to be reclassified from Community to Operational land.

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Question/Comment	Response
Which assets did Council sell in the past? Where did the $9.2M go from the selling off of assets?	Council has realised $9.2M from the sale of 29 properties – major property sales included the Hobartville Shopping Centre; 1A Greenway Crescent, Windsor; 20-22 Fitzgerald Street, Windsor; 24-38 Stewarts Lane Wilberforce; Toxana House Richmond; and Loder House, Windsor. The majority of the funds raised from the sale of properties were used to contribute to the cost of constructing the Hawkesbury Cultural Precinct.
What investments does Council have?	As at 31 July 2017, Council held $43.4M in investments in term deposits and on call accounts. Most of these funds are made up of externally and internally restricted reserves which are either subject to legislative restrictions, kept aside for specific purposes or to meet future known expenses and cannot be used for other purposes. The balance of cash investments are required to fund operational and capital expenditure in line with Council's adopted Operational Plan.
Have Council investigated other avenues for additional income? Are there ways that Council can charge additional income? What are some examples of the different incomes Council receives? What are Council's other sources of income besides rates?	Over the last three financial years ending in June 2016, an average of 69% of Council's revenues were derived from non-rating income sources – annual charges, user fees, interest on investments, rental income from investment properties, dividends, developer contributions, and grants. In the financial year ending June 2016, Council's total operating and capital revenues from these sources amounted to $56.6M. The figure for the 2014/2015 financial year was $78.6M. Council reviews its fees and charges on an annual basis and wherever possible adjusts them to cover the full cost of services or to increase commercial revenues, some fees are determined by legislation and cannot be increased, while other fees are subsidised for the public good. There are also limitations in the kinds of business enterprises and private/public partnerships which Council can enter into to generate additional income. Council does invest in energy-savings and other technologies which generates a return on this investment through reduced operating costs and utility savings.
During the period when costs were decreased were they a result of forced redundancies?	The cost containment measures implemented since 2007 included voluntary redundancies.
Could the community lobby the state government for more money?	Representations from the residents to State and Federal parliamentarians can be a very powerful advocacy tool.
Is it legal for community members to raise funds for Council?	Council has adopted a *Sponsorship Policy* which sets out the criteria and process for Council receiving sponsorship from third parties to support its operations.
Does Council conduct efficiency and financial audits? Have your efficiency audits identified opportunities to reduce costs?	Council does resource an internal audit function and conducts programmed audits of its processes and operations. Council has recently reviewed this function and has established an audit partnership with Blue Mountains Council to strengthen and broaden corporate capacity to identify and achieve operational efficiencies and business improvements.

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Council Operations

Question/Comment	Response
Will there be increase in staffing costs as part of Option 3?	Should Council proceed with Option 3, and subject to IPART approval, Council will have to invest in additional staffing resources to deliver an expanded works program funded through any approved SRV increase. Option 3 also provides for enhancements to community programs to enable Council to deliver on the key activity areas within its Delivery Program, these key activity areas were identified as priorities by residents during community consultations held in February 2017.
What services does council provide to the community?	Council's primary responsibilities involve the management of community assets and facilities (roads, community buildings, parks, stormwater), waste management services, town planning, public order, health and safety, emergency services, and the provision of cultural, recreation, civic and community programs. These functions require the provision of a diverse range of services to the community which are documented in Council's annual Operational Plan.
How much does Council spend on employment costs?	Councils 2017/2018 Operational Plan includes provision for $25.2M in employee related costs. In the 2015/2016 financial year, employee costs accounted for 33.2% of Councils operating expenses.
What costs are included in the 4% administration costs identified in the Community Snapshot?	Administration and governance costs include employee, material and contract costs across the following Council functions: Information Services, Records, Risk Management and Insurance, Rating Services, Administration Services, Word Processing, Procurement, Fleet Management, Finance and Accounting, Internal Audit, Legal Services, City Planning, Printing, Personnel, Executive Management, Elected Members and Customer Services.
Does Council have any systems in place to stop wastage by staff of Council resources?	Council has comprehensive procurement, tendering and contractor procedures and systems in place as well as rigorous financial reporting and monitoring systems to ensure best value provision of services and the optimal use of resources.
How frequently does Council reassess the tender process?	Tenders for the provision of services and material are awarded for varying periods generally between one and three years. Council regularly tests the market to ensure best value procurement. Council is required to call for tenders for any proposed purchase of over $150,000 in value.
What functions have been transferred to local government from the state government?	Council is required to meet the cost of implementing legislation, functions and responsibilities devolved to local government by the federal and state governments. The transfer of responsibilities from other levels of government to local councils, without adequate funding, is generally known as 'cost shifting'. In 2015/2016, cost shifting accounted for $7.1M of Council's expenditures. Over the seven years to 2015/2016, the impact of cost shifting was estimated to total $34.7M (an average of $4.96M each year)

Question/Comment	Response
What are some examples of the State Government charges that Council pays?	Other examples of cost shifting include licence fees paid to the State Government; remittance of revenue from Council managed crown land, shortfalls in the subsidies provided to Council for public library operations; mandatory pensioner rebates; and the withdrawal of funding for community services which were established by state governments. NSW Government contributions include a waste levy (currently at $138.30 per tonne) levied on every tonne of material deposited at Council's landfill operation and paid to the Environmental Planning Authority; emergency service contributions paid to the Rural Fire Service (RFS), Fire and Rescue NSW, and the State Emergency Services (SES) which have increased substantially in recent years; and a levy on development applications which is collected and forwarded to the Department of Planning.
Does the income collected from the Emergency Service Levy go to the State Government or Council?	All income collected by Council through the Fire and Emergency Services Levy (FESL) was to be remitted to the NSW Government.

Special Rate Variation: Process and Timetable for SRV application

Question/Comment	Response
What is the IPART process for assessing Council's submission? What is the timeframe for this process? Will it be implemented gradually?	Should Council determine to proceed with an SRV application, this would need to be submitted to IPART by February 2018, with IPART advising Council of its determination in May 2018. If approved any SRV would take effect from 1 July 2018. In its application, Council would be required to address the five part assessment criteria set down by IPART. The criteria requires Council to: • demonstrate the need for the SRV • provide evidence that the community was aware of the need for, and the extent of, the proposed SRV • demonstrate that it has assessed and considered the affordability and impact of the proposed SRV on ratepayers • have adopted the relevant Integrated Planning and Reporting (IPR) documents required by Local Government Act and Regulation • provide details of the productivity and cost containment strategies that it has implemented and which are proposed to be implemented.
What happens if IPART rejects Council's SRV Application?	Council is confident that it can meet the criteria set down by IPART for a successful SRV application. In the event that IPART does not approve Council's application, Council would carefully consider the reasons for IPART's decision to determine if it should lodge a further application in a subsequent year which would address IPART's concerns. If the event of an unsuccessful SRV application Council would need to review services to identify options for possible service level reductions to redirect resources to fund its asset renewal shortfall and meet FFTF financial benchmarks.

Question/Comment	Response
At the end of the process will we be back in this position again? Are rates going to continue to rise or will this request for additional rates be enough?	While Council's finances can be impacted by external factors beyond its control, it has calibrated the two SRV options presented to residents to address the asset renewal funding shortfall and achieve the FFTF benchmarks. The difference between Options 2 and 3 relate to the capacity for Council to fund improvements to services and the investment priorities identified by residents. Option 2 provides the minimum additional revenue required to stabilise the condition of assets over the medium term. Option 3 provides for a longer-term revenue solution which would also enable Council to better resource the objectives of the Community Strategic Plan and the priorities identified by residents.
After three years what will happen to rates? Do they come back to current levels? Are the rate increases for 3 years or 10 years?	There are two resourcing options which propose SRV increases. Option 2 proposes to SRV increase of 7% above the rate peg for 2018/2019 and 2019/2020. The resulting increases in rates would be permanent and in subsequent years indexed by the rate peg amount (meaning that they would be increased in line with the rate peg). Option 3 proposes SRV increase of 7% above the rate peg for 2018/2019, 2019/2020 and 2020/2021. Similar to Option 2 the resulting increases in rates would be permanent and in subsequent years indexed by the rate peg amount.
Is the 27% rate rise on the total or just the rate section?	Any proposed SRV rating increase would only apply to ordinary rates as identified on rates notice issued to ratepayers. It would not apply to waste manages or other non-rating charges or levies listed on the rates notice.

Investing in Your Future: Provisional Works Program

Question/Comment	Response
How did Council work out the costings in the work programs.	The costings in the 'Investing in Your Future' work programs were based on the scope of the works which Council's Asset Management System has projected are required to be undertaken over the next ten years to maintain assets in a satisfactory condition. Current unit costs were applied by Council's Asset Managers to derive an estimate for the cost of these works.
How much Control do Councillors have over the dollars that are spent? Could Council re-elections change priorities and the way money is spent?	The (elected) Council considers and approves Council's Operational Plan including the annual budget and Long Term Financial Plan. As part of this process Councillors take into account identified community priorities, the financial and human resources required to maintain current service levels, and the funds required to undertake asset maintenance and renewal based on the technical condition data within Council's Asset Management System. These core requirements generally account for a substantial proportion of Council's expenditures. In relation to the 'Investing in Your Future' work programs which have been presented to residents (which it is assumed is what this question refers to), should an SRV increase be approved by IPART, Council is required as part of its annual budget and reporting cycle, to demonstrate that SRV funds have been expended in accordance with their intended purpose. This SRV expenditure is required to be separately accounted for in Council's works program with outcomes publicly reported in Council's Annual Report. Council's budget processes do however provide the opportunity to review work programs to take into account changing circumstances and other factors which may necessitate adjustments to programmed works.

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Question/Comment	Response
Will residents have the opportunity to contribute to priorities for spending in the area if they vote for Option 3?	Council has prepared a provisional works program to outline the scope of works to be delivered over the next ten years under the three 'Investing in Your Future' resourcing options. The works program reflect Council's understanding of the community investment priorities identified by residents during community consultations held in July 2016 and February 2017 as well as the outcomes of the community surveys undertaken by Council every two years since 2007. This information has been used to inform the preparation of the 'Investing in Your Future' district work programs and Council is confident that they have captured the spending priorities identified by residents. As identified in the response to the previous question, Council's budget processes enable the ongoing review of work programs to respond to changing circumstances and other factors where adjustments to programmed works are required.
Is Council confident that the dollars made available will be used?	Council has prepared 10 year work programs to identify how any additional revenue from a SRV rating increase will be expended. As part of its future workforce planning, Council has recognised that it will have to invest in additional project management resources to scale up its existing capacity to ensure that it is in the position to deliver an expanded works program funded through any approved SRV increase.
Does the spending in the works program increase the backlog? If the community secures funding from the state government for road sealing would Council be able to fund the maintenance costs for the sealed roads?	The provisional works program under each option has been primarily targeted at undertaking asset renewal works to address the infrastructure backlog. The revenue raised under each option will have a different impact on Council's capacity to maintain, renew and upgrade community assets, and address the infrastructure backlog. Without service level reductions to redirect resources to asset renewal, Option 1 is likely to see the continued deterioration in the condition of community assets, and where new assets are constructed Council may not have the revenue required to maintain these assets into the future which will grow the asset renewal shortfall (infrastructure backlog). Options 2 and 3 will stabilise the condition of assets and gradually address the infrastructure backlog over time and provide the additional revenue required to meet the maintenance and renewal costs of new assets.
Will the new plan allow for roads to be properly fixed up for the long term?	The primary focus of Option 2 will be to maintain the condition of community rather than providing funds to upgrade these assets while Option 3 provides funds for an ongoing program of asset upgrades and new works.
What is the current infrastructure backlog?	As at 30 June 2016 the estimated cost of bringing all assets to a satisfactory standard was $15.2M.
Why did the backlog go from $68M to $17.6M?	In 2015, Council engaged an external consultant to undertake an infrastructure assessment report. The purpose of the report was to review Council's methodology for assessing its asset maintenance and asset renewal requirements, and its infrastructure backlog calculations. The consultant recommended that Council adopt a risk based asset management approach to more accurately assess and verify infrastructure backlog values. As a result of this revised approach, the high risk infrastructure backlog component within the total required asset renewal works was identified. Consequently, while the quantum of asset renewal requirement has remained the same, the high risk infrastructure backlog value component of this requirement was revised downwards.
Why is the majority of the SRV income being used for roadworks?	Council's consultation with the community indicated that residents identified roads as the priority for future investment. Roads also make up more than half of the value of council assets and represent the bulk of the current infrastructure backlog.

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Community Consultation

Question/Comment	Response
How does Council decide which will be their preferred option? Will every resident be given an opportunity to vote?	The purpose of Councils community engagement program is to consult with residents about resourcing options for the future and to collect information from residents about their preferred resourcing option. Information is being gathered in a variety of ways (postal ballot, on-line and telephone surveys, 'straw polls' at town meetings) to collect and record the views of residents about their preferred resourcing option. Every resident has been given the opportunity to vote through a postal ballot sent to all ratepayers and the option of participating on an on-line survey.
If the community says it doesn't want an SRV will that make a difference and will Council still go ahead with an SRV?	This information will be collated and reported to Council to inform its deliberations. It will be one of the factors considered by Council in coming to a decision about which resourcing option to proceed with.
How many people were consulted at the town meetings?	Since July 2016 Council has held 26 town meetings attended by over 923 residents
What telephone numbers are used for the telephone surveys?	The telephone survey is conducted on Council's behalf by Micromex Research who have advised that 367 of the 401 of respondents were selected by means of a computer based random selection process using the electronic White Pages. 34 respondents were recruited face-to-face - this was conducted at a number of locations including Richmond Market Place, Riverview Shopping Centre, Windsor and Richmond Train Stations.

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Question/Comment	Response
What methods have you used to consult with the community? Can you think of better ways to consult with the community?	Council's community engagement program commenced in July 2016 and is ongoing. Over this period, a range of activities have been used to engage with residents including: • a mail out information brochure and reply paid survey • facts sheets • community newsletters • media releases • on-line surveys • telephone surveys • town meetings • listening and information kiosks • targeted engagement with particular community groups • web-site updates on Council's online engagement portal. Council has also conducted regular community surveys (every two years since 2007) and has held focus groups with residents to collect information and knowledge from the community about their understanding of service levels and key assets, suggested options for increasing the funding of services and assets, and current performance gaps. This information has been used to inform the preparation of community engagement materials. Council is currently investigating and will be rolling out an enhanced digital communication strategy including the establishment of a Facebook presence to provide for real time commentary and response to issues raised by residents. Council also undertakes population-specific consultation through a variety of mechanisms. For example, since 2009 Council staff have worked with young people to plan and stage a Youth Summit every two years to capture and record the views of young people and their recommendations for what Council could do to improve quality of life outcomes for young people. Council has adopted a Community Engagement Policy, based on good practice guidelines developed by the International Association for Public Participation. The policy identifies a range of consultation tools and techniques, which can be applied to different circumstances as required.
How do we make sure people are aware of the proposed SRV?	As outlined in the response to a previous question, Council has implemented a comprehensive community engagement strategy using a variety of engagement activities to inform residents of the proposed resourcing options. This has included a mail out to all ratepayers.
How does Council decide which will be their preferred option? Will every resident be given an opportunity to vote?	As outlined in the response to a previous question, information is being gathered in a variety of ways (postal ballot, on-line and telephone surveys, 'straw polls' at town meetings) to collect and record the views of residents about their preferred resourcing option. This information will be collated and reported to Council to inform its deliberations and will be one of the factors considered by Council in coming to a decision about which resourcing option to proceed with. Every resident has been given the opportunity to vote through a postal ballot sent to all ratepayers and the option of participating on an on-line survey.

Impact on Ratepayers

Question/Comment	Response
Is there a provision in this plan for pensioners and low income groups? What can pensioners do about the increase in rates? Rates are due on the 31 August 2017, what do residents do if they cannot pay?	Council's Debt Recovery Policy, includes provisions for payment arrangements where ratepayers are experiencing financial difficulties. The Policy also includes specific provisions for eligible pensioners. Council staff are currently preparing a draft Hardship Policy to further address issues of hardship.
Have you considered that the SRV may not be affordable to low income earners? Did any properties receive a decrease in rates in 2017/2018?	As part of any SRV application to IPART Council is required to consider the affordability of proposed rating increases and their impact on ratepayers. In 2017, in consideration of the possible impact of future rating increases, Council reviewed and amended its rating structure. The revised rating structure which took effect from 1 July 2017 delivered a reduction in rates for residential properties with an median land valuation of less than $324,000 (i.e. generally properties with relatively lower levels of household income) as well as small business owners and farmland properties. These rating changes resulted in an overall decrease in rates for 19,045 properties (74% of all rateable properties) in the Hawkesbury. These rating reductions will substantially lessen the impact of any proposed rating increases for lower income households.

The Calculation of Rates, Rating Classifications and Rating Structure

Question/Comment	Response
How are rates calculated? Why can't the rates be a user pays system? What percentage of the rates is based on the valuation by the NSW Valuer General? Who sets the rate peg? Is the rate peg adjusted to take into account the large land area and the small number of residents?	Council calculates annual rate charges based on the relevant provisions of the Local Government Act 1993. In simple terms rates are made up of a base amount which is applied equally across all rateable properties and an ad-valorem amount which is based on land-values as determined by the NSW Valuer-General. The rate peg amount set by the NSW Government determines the total amount of rates that can be collected by Council which in 2017/2018 was $30.5M. In 2017/2018 the base amount was set at $340 for every rateable property which when applied to the 25,667 rateable properties accounted for $8.7M of the $30.5M. The balance of rating income ($21.8M or roughly 70%) is then divided by the total land value of all properties in the Hawkesbury to derive a 'rate in the dollar' amount which is then applied to the assessed land value of each property to calculate an ad-valorem component for each property. The rate in the dollar may vary across rating categories – residential, farmland, mining and business. The rate peg is based on the Local Government Cost Index which measures price changes over the previous year for the goods and labour an average council will use and may include a productivity component. It is applied to equally to all councils.
Are granny flats paying rates?	No. Council can only levy a single rating charge on each rateable property.

Question/Comment	Response
Do strata properties pay rates as well as residents?	Yes.
Does the rate in the dollar differ depending on land classification?	The rate in the dollar may vary across rating categories.
How does the rating structure impact on rates?	The rating structure determines both the base amount and the rate in the dollar (ad-valorem) amount to be applied to each of the three rating categories - residential, farmland, mining and business. In general terms councils align the rating yield to be derived from each rating category based on the proportional land value of each category – for example if residential properties account for 70% of the total land value of properties in a local government area, then a council would seek to raise 70% of rating income from residential properties. Council may determine to collect a proportionally lesser amount from a particular rating category to support a strategic objective – for example to support agriculture by reducing the proportional rating yield to be collected from the farmland category.
What properties can be categorised as Rural Residential? Why did properties previously categorised as Rural Residential become Residential? Why was the Rural Residential category removed?	Rural Residential is a rating sub-category of the Residential rating category. The criteria for a rural residential property is set down in the Local Government Act 1993. The key definitional criteria relate to the size of a property (between 2 and 40 hectares) and the presence of a dwelling. The previous rural residential sub-category is not defined by the location of a property i.e. whether it is urban or rural – for example there are rural residential properties in Windsor and South Windsor and residential properties in St. Albans, Bilpin and Bowen Mountain. Residential and rural residential properties can exist side-by-side in the one location. Residential and rural residential properties fall under the same rating category and are treated the same for rating purposes (as was the case prior to 2013/2014)
What qualifies you for Farmland rates? Are Farmland rates cheaper than Residential rates? Can I have my property changed back to Farmland?	The categorisation of land as farmland is defined by the Local Government Act 1993. The dominant use of the land must be for farming (the Act defines the types of enterprises that constitute farming), that has a 'significant and substantial commercial purpose and is engaged in for the purpose of profit on a continuous basis' The rate in the dollar which is used to calculate the ad-valorem component of annual rates is set at 90% of the residential rate in the dollar. However farmland properties generally have a higher land valuation than residential properties (due to their relative size) and as a result the average farmland rate is substantially higher than the average residential rate. Ratepayers can apply to have their properties categorised as farmland, and their application will be assessed against the criteria set out in the Local Government Act 1993.

Question/Comment	Response
Why did Council change the rating structure? Why did the change to rural residential rates happen?	It is assumed that this question relates to the changes to the rating structure which commenced in 2017/2018. The current Council changed the rating structure to reverse the changes to the rating structure that took place in 2013/2014 which saw the base amount increased and rural residential properties rated at a different rate in the dollar amount to residential properties. Prior to 2013/2014 residential and rural residential properties were treated the same for rating purposes. The 2013/2014 rating changes had the unintended effect of creating some rating anomalies where properties in the one location, with the same notional access to Council services and facilities, were rated differently. As a result, the rates for residential properties in Bilpin, Kurrajong, St Albans, Bowen Mountain and other outlying areas increased, while the rates for rural residential properties in the same locations decreased. The 2013/2014 rating changes resulted in increased rates for the majority of properties within the Hawkesbury. These rating increases primarily affected properties with relatively lower land valuations and rating decreases primarily benefited properties with higher land valuations. As a result of these impacts Council determined that realigning the rating structure back to the pre 2013/2014 situation would deliver a more equitable rating outcome.
Who voted for the rating restructure? Why can't Council go back and change the rates. Can Council change the base amount to make it fairer for everyone?	The majority of Councillors voted to change the rating structure. Council can review its rating structure including the base rate and has resolved to do so in the coming months. However, for the reasons outlined in the response to the previous question, the current Council has determined that the recent changes to the rating structure deliver a more equitable rating outcome and simply returns the rating structure to situation that existed prior to 2013/2014.
Why were properties impacted by the change to Rural Residential rates?	The changes to the rating structure as outlined in the previous question (which saw residential and rural residential properties treated the same for rating purposes as had been the case prior to 2013/2014), did result in rates increasing for properties in the rural residential sub-category. These increase partly, but not entirely, cancelled out the rating decreases that occurred for these properties in 2013/2014 and the following three years. However, the 2017/2018 changes to the rating structure only accounted for a small proportion of the rating increases experienced by some rural residential properties, the major impact on rates occurred as a result of the increase in land valuations for these properties.

Question/Comment	Response
Why do we pay the same rates as people in Bligh Park or Windsor and not get the same services? Are rural areas like St Albans and Colo Heights subsidising other parts of the LGA. Why don't the residents of Oakville get any services but they have to pay new higher rates? If the categorisation has changed to Residential why don't these properties receive the same services as the residential areas?	As outlined in a response to a previous question, the rating sub-category of rural residential is not determined by location, or distance from town centres or proximity to Council services and facilities. Many residential properties are located in rural areas and rural residential properties adjoin urban areas. While Council services are available to all residents irrespective of where they live, distances from these services can impact on the day to day access that residents enjoy to these services. Council provides the same network of services and facilities to all areas within the Hawkesbury – it maintains local roads, bridges, local parks, and community facilities across the Hawkesbury, it provides town planning, compliance and enforcements, companion animal services, community services, event sponsorship, graffiti removal, stormwater management and other services to all areas in the Hawkesbury, though the frequency of service provision may vary between areas. Some facilities, such as the Library, Gallery and Museum, Regional Parks and District Sporting Fields are centrally located in town centres as their catchment populations are regional rather than local, however they are used by all residents which is reflected in the membership of these services and the sporting organisations that use these facilities (for example 43% of library members live in rural localities). Some civic infrastructure such as street lighting, kerb & guttering and footpaths are generally associated with urban areas, while other essential services such as sewer, are provided on a fee for service basis and are not funded through ordinary rates. Other infrastructure such as rural fire service sheds, standpipes, vehicular ferries (Lower Portland) are predominantly located in rural areas. It is generally the case that the per unit cost of service provision to rural areas is higher than the cost of service provision to urban areas. The per-capita cross subsidisation of service provision from urban areas to regional areas (where revenue collected from people in urban areas is used to subsidise the cost of providing basic universal services to rural areas) is a characteristic of most public service provision.
Is the state government responsible for setting the land value of property through the Valuer General?	Yes.
What has made property values increase so much?	The NSW Valuer General has advised that "*the rise in valuations were as a result of nearby land sales and that those areas experiencing some of the strongest increase in land values are a result of the demand for land with potential for future residential development and well located lifestyle properties*".

Question/Comment	Response
Do land revaluations increase the income for Council? Why doesn't Council get more revenue from the property revaluation by the Valuer General? Where is the additional money from rates going? Last year Council received $30M from rates and this year $31M, why has there been an increase?	Increases to land values do not by themselves generate any additional rating revenue for Council. The total revenue collected from ratepayers from year to year is determined by a rate peg amount set by the NSW Government (through IPART). The rate peg limits the amount by which councils can increase the revenue they generate from rates from year to year. While individual property rates may vary across a council area, either above or below the rate peg amount due to differences in assessed land values, the overall total amount collected from ratepayers cannot exceed the rate peg amount. In 20017/2018 the rate peg amount was set at 1.5% which generated approximately $460,000 in additional rating income. This revenue will be used to offset Council's increased operating costs.
What is the process if residents don't agree with their land valuations.	Residents can request a review of the valuation of their property. The NSW Valuer General website outlines the process and time frames for lodging an objection.
What month/year was the rating structure endorsed by council, no notification was provided?	It is assumed that this question relates to the recent change to rating structure which took effect from 1 July 2017. The amended rating structure was approved by Council in June 2017, and was preceded by the required consultation and public exhibition period as set down in the Local Government Act 1993.
Why have the averages used in Council's calculations been based on the average Residential category and not the Rural Residential category.	The Residential category incorporates the previous Rural Residential sub-category. As noted in a response to a previous question, Residential and rural residential properties fall under the same rating category and are treated the same for rating purposes (as was the case prior to 2013/2014).

Assets

Question/Comment	Response
Do you assess the use of Council's assets?	Council does have mechanisms in place to assess the use of community assets. These include traffic counts on roads, bookings and utilisation of playing fields and parks, visitation to cultural facilities and camping grounds, an annual survey on community hall utilisation, and the regular condition assessment of assets.
Are roads inspected regularly? Can someone supervise roads and assess them regularly?	A physical assessment of the condition of Council's entire sealed road network is conducted at regular interval (2002, 2008, 2013 and 2015). The condition of roads is also monitored informally on an ongoing basis by staff supplemented by customer request and report trends.

Question/Comment	Response
Are some of our roads run by the State Government?	Roads and Maritime Services (RMS) are responsible for the management and repair of main roads within the Hawkesbury that fall within the state road network (e.g. Windsor Road, Bells Line of Road, Wisemans Ferry Road, Castlereagh Road, Richmond Road, as well as the streets that connect these roads such as Macquarie Street, George Street and March Street.
When traffic is diverted from State to Local or Regional roads does Hawkesbury City Council receive any money?	State Roads are managed and financed by Roads and Maritime Services (RMS) and Regional and Local Roads are managed and financed by councils. Due to the network significance of Regional Roads, RMS provides financial assistance to councils for their management. In practice, while Council does receive financial assistance from RMS for the maintenance of regional roads in the Hawkesbury, this amount provided does not cover the cost to Council of maintaining these roads.

Planning Controls & Subdivision

Question/Comment	Response
Can our land be subdivided if it is categorised as Residential?	Whether or not a residential property can be subdivided is primarily determined by the minimum allotment size pertaining to that property as contained within the Hawkesbury Local Environmental Plan (LEP). Any proposed subdivision must also satisfy the development controls within the Hawkesbury Development Control Plan (DCP).
Do Council want to kick out the little landowners by increasing the rates?	Council calculates annual rate charges based on the relevant provisions of the NSW Local Government Act 1993. As noted in response to a previous question, council rates are made up of a base amount which is applied equally across all rateable properties and an add-valorem amount which is based on land-values as determined by the NSW Valuer-General. The rating increases experienced by some property owners in areas bordering the North West Growth Sector were primarily the result of the increase in land valuations for these properties as assessed by the NSW Valuer General.
What can you tell us about the potential for redevelopment of residential areas in the future? Could we redevelop like other areas? Why don't you release some more land for redevelopment?	Council has adopted a Residential Land Strategy which identifies locations in the Hawkesbury which are most suitable for additional residential development. However, residential development in the Hawkesbury is limited by a combination of topography, flooding, evacuation constraints, bushfire risk, airport noise, agricultural land and environmental values. Residential development is currently is occurring in Pitt Town and North Richmond and is planned to occur in Glossodia and in the Vineyard Precinct of the North West Growth Sector.
Why is the development of rural land not permitted in the Hawkesbury? Why does Blacktown Council redevelop their agricultural land and Hawkesbury doesn't?	Rural lands are being developed in the Hawkesbury in accordance with the provisions of the Hawkesbury Local Environment Plan and in particular minimum lot sizes. Due to the urban expansions of the Sydney Metropolitan Region, recent residential expansion in areas like Blacktown and The Hills have involved the wholesale resumption and subdivision of large tracts of rural lands to create small lot housing as well as medium and high density residential precincts. By contrast development within the Hawkesbury has been marked by the limited and smaller scale expansion of rural villages and town centres into predominantly large lot and rural residential developments.

Question/Comment	Response
Why can't properties have a second dwelling?	Council has prepared and submitted planning proposals to the NSW Department of Planning and Environment (DPE) on two occasions to amend the Hawkesbury Local Environment Plan (HLEP) to permit detached dual occupancy in rural zones. The proposed amendments were not supported by the DPE due to flood evacuation concerns. The DPE indicated that further consideration of the proposed HLEP amendments would be deferred until the release of the Hawkesbury-Nepean Flood Risk Management Study. Council is seeking to expedite the release of the Study by the NSW Government.

Council Amalgamations

Question/Comment	Response
What did the attempted amalgamation cost the Council?	The major cost involved in responding to the proposed merger of Hawkesbury with part of The Hills Shire was in the staff hours required to assess the merger proposal, prepare Council's submission in response to the merger proposal, prepare information for the delegate appointed by the NSW Government to conduct the public inquiry into the merger proposal and staff participation in merger discussions with The Hills Shire.
Who was the independent delegate for the Council? Did Garry West adjudicate for other councils	The NSW Government appointed Mr Garry West to conduct the public inquiry into the proposed merger of Hawkesbury with part of The Hills Shire, as well as the proposed merger of Hornsby and Kuringai Councils.
What was the reason for Council objecting to amalgamating with The Hills?	Council's objection to the proposed merger was outlined in Council's submission to the independent delegate. Council's assessment was that while there were some financial benefits which may have flowed from the merger proposal, these benefits were outweighed by the adverse impacts to the local economy and the community. The relatively modest merger savings projected by the merger proposal could be achieved more effectively and efficiently through the implementation of Council existing 'Fit For The Future' proposal and in particular through its Regional Strategic Alliance with the Blue Mountains and Penrith Councils. Council argued that the merger proposal was an inferior alternative to Council remaining as is and pursuing its 'Fit For The Future' Plan which would deliver a more advantageous outcome for residents without the adverse impacts of a forced amalgamation.
After the amalgamation debate it was inferred that Hawkesbury City Council would be financially secure but you are now telling us that this is not the case. Why is Hawkesbury City Council not financially secure?	In 2016, Council adopted a Fit for the Future Plan which set out a mix of expenditure and revenue measures to enable Council to meet the required 'Fit For The Future' financial sustainability benchmarks by 2021. In December 2016, the NSW Government proposed a merger of the Hawkesbury and part of The Hills Shire. Council deferred the implementation of its 'Fit For The Future' Plan pending the outcome of the merger proposal. The information provided to residents both pre and post the public inquiry into the merger proposal was the same, residents were advised that Council's financial sustainability was contingent on implementing the 'Fit For The Future' Plan.

oooO END OF REPORT Oooo

ATTACHMENT 10 PART C

COUNCIL REPORT
28 NOVEMBER 17

Outcome of Public Exhibition of Supplementary Resourcing Strategy.

GENERAL MANAGER

Item: 212 **GM - Outcome of Public Exhibition of Supplementary Resourcing Strategy - (79351, 95496, 79356)**

Previous Item:
186, Ordinary (10 October 2017)
175, Ordinary (26 September 2017)
170, Ordinary (26 September 2017)
159, Ordinary (12 September 2017)
60, Ordinary (28 March 2018)
273, Ordinary (13 December 2016)
241, Ordinary (8 November 2016)
211, Ordinary (11 October 2016)
146, Ordinary (26 July 2016)
138, Ordinary (12 July 2016)
4, Ordinary (02 February 2016)
85, Extraordinary (23 June 2015)
RM, Ordinary (30 June 2015)
MM, Ordinary (27 October 2015)

REPORT:

Executive Summary

This report has been prepared to advise Council of the outcomes of the public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021.

In addressing this matter, the report incorporates the following information:

- a recap of the Fit for the Future timelines and community engagement program
- a summary of the content and key messages within the draft supplementary documents
- a summary of the submissions received following the public exhibition of the draft supplementary documents
- a summary of the issues raised within the submissions for and against Council's preferred investment option
- a more detailed outline of the issues raised within the submissions not supportive of Council's preferred investment option
- an outline of representations and petition received from the Oakville Progress Association.

The report assesses the issues raised in the submissions that have not supported Council's preferred investment option. The factors underlying these issues have been carefully considered by Council and where possible Council has either commenced actions to address them or is proposing to undertake further actions in response to these matters.

The 'not support' submissions point to a strong community sentiment in those localities most affected by recent NSW Valuer-General land valuations. In particular they highlight the concern of residents as to the relative rating impact of these land valuations particularly in localities adjoining the North West Growth Sector which have experienced comparatively large rate increases from 1 July 2017. The submissions therefore call on Council to defer consideration of a special rate increase.

The report considers the implications of not proceeding with a special rate increase, and by default, limiting future rating increases to the rate peg amount. This option;

- would not enable Council to generate the balance of the revenue required to resource the implementation of Council's Fit for the Future Improvement Plan;
- does not provide Council with an alternate means of achieving the required financial benchmarks and resolve the asset renewal funding shortfall which is the primary factor impacting on Council's ling term financial sustainability;
- would not resolve the issues identified by residents as these issues primarily relate to recent land valuations undertaken by the NSW Valuer General and the flow-on rating impacts which took effect from 1 July 2017;

The primary issues raised in the 'not support' submissions would seem to fall outside of the scope of matters that can reasonably be responded to in conjunction with the consideration of a special rate increase and deferring the special rate increase will not in itself resolve these matters.

Consequently, in the absence of other viable options to achieve financial and asset sustainability and satisfy the Fit for the Future requirements, Council Management would propose that Councils preferred investment option should be pursued through the preparation of a special rate application. This course of action will provide Council with the capacity to:

- respond in a meaningful way to the community investment priorities identified by residents during the Fit For The Future consultations;
- deliver on the key activity areas within Council's Delivery Program
- progressively realise the community's long term vision for the Hawkesbury, as set out in the Hawkesbury Community Strategic Plan 2017-2036.

The report concludes that Council should advise the Independent Pricing and Regulatory Tribunal (IPART) of its intention to submit an 'Application for A Special Rate Variation' (Application) based on the preferred investment option, as outlined in the draft supplementary documents.

The proposed Application would be for a Special Rate Variation over three years: 9.5% in 2018/2019, 9.5% in 2019/2020, 9.5% in 2020/2021 (inclusive of rate pegging), with the increase to be permanent and retained within the rate base.

Consultation

The report has been prepared to advise Council of the outcomes of further community consultations undertaken under Council's Community Engagement Policy. The public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021, represent a further component of a staged and comprehensive community consultation and engagement program which commenced in July 2016.

Under this Program, Council has delivered the following engagement activities:

- 26 town meetings
- 25 information kiosks and stalls at shopping centres, markets and council events
- two statistically valid telephone surveys run on Council's behalf by Micromex Research
- a mail out of information brochures and postal ballots to all ratepayers
- public exhibition of key documents and calls for submissions
- online surveys and information up-dates on Council's online engagement portal.

The final element of Council's conversation with residents about the future of the Hawkesbury involved the public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021 between 13 October 2017 and 10 November 2017.

In conjunction with the public exhibition period, information about the documents was included in the Spring 2017 Community Newsletter, distributed with the quarterly rates instalment notices, and display copies were made available at Council Offices, Richmond and Windsor Libraries, and the North Richmond Community Centre. Notices were also placed in the Hawkesbury Courier and the Hawkesbury Gazette advising of the public exhibition as well as a media release was issued and information was contained in the "From the Mayor's Desk" online column. Two drop-in information sessions were also held on 2 November 2017 in the Stan Stevens Studio at the Deerubbin Centre, between 6pm to 8pm, and 6 November 2017 at the North Richmond Community Centre, between 3pm and 5:30pm.

Background

The preparation and public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021, has been the culmination of a Fit For The Future Improvement Program and community engagement process which commenced in 2014 (as outlined in Figure 1).

Council's Fit For The Future journey commenced well before the 2014 release of the NSW Government's Fit For The Future Reform Program. Since 2007, Council has been implementing measures to improve its long-term financial sustainability, with a particular focus on addressing the legacy of past decades of under-investment in asset renewal.

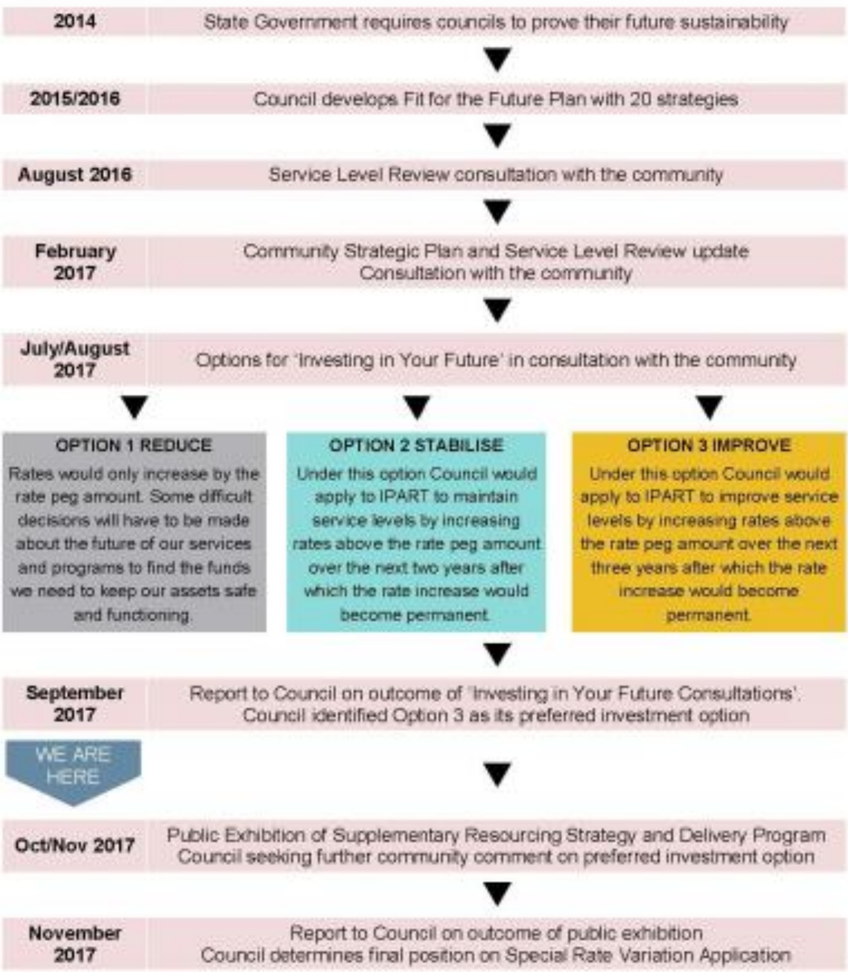

Figure 1: Fit For The Future timeline

As part of this process, Council has considered a number of reports covering the following matters:

- Council's financial position and its future financial sustainability
- Council's capacity to fully fund the cost of maintaining, renewing and replacing community assets and measures taken since 2007 to arrest the decline in the condition of these assets
- additional cost containment and revenue measures to achieve the required Fit for the Future benchmarks and stabilise the condition of community assets
- the findings of independent reports into the sustainability of local government
- the consideration and response to the proposed merger with part of The Hills Shire Council
- independent reviews of Council's financial position and Fit For The Future Improvement Plan
- the outcomes of community surveys and consultations held with residents on future service levels, community investment priorities and options for investing in the future. These community conversations commenced in July 2016 and are summarised in Figure 2.

Stage 1 - 'Listening to Our Community'

Consultations where Council went out to hear what residents had to say about their satisfaction and expectations for Council's services and facilities and their priorities for future investment.

These consultations took place between 22 July and 24 August 2016.

Stage 2 - 'The Hawkesbury 2036...It's Our Future'

Consultations where Council spoke with residents on the things they valued about living in the Hawkesbury and steps to deliver the future that residents wanted to see - a vibrant city, with a rural feel.

These consultations took place between 23 January and 12 March 2017.

Stage 3 - 'Investing in Your Future'

Consultations where Council briefed residents on its financial position and presented three investment options for residents to consider and asked them to identify their preferred option for investing in the future.

These consultations took place between 10 July and 12 August 2017.

Figure 2: Fit for the Future Community Engagement Program

On 12 September 2017, Council considered a report which summarised the outcome of the most recent round of community consultations undertaken in July and August 2017, where Council presented three Investing in Your Future resourcing options to residents as outlined below:

Option 1 - Annual rate increases in line with assumed rate peg over three years
Option 2 - Special Rate Increase of 14.5% above rate peg over three years
Option 3 - Special Rate Increase of 22.5% above rate peg over three years.

In considering this report, Council resolved to identify Option 3 as its preferred resourcing option and approved the preparation of draft supplementary documentation for public exhibition.

The information which has been progressively reported to Council was summarised in the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021, together with a more detailed assessment of the impact of the three resourcing options on ratepayers, Council's long term sustainability and future service provision. The draft supplementary document was reported to Council on 10 October 2017, with Council resolving to place it on public exhibition with the outcomes to be reported to Council.

Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 – Summary of Content and Key Messages

The Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 incorporated the following content and key messages:

<u>Current financial position and financial outlook</u>

- Council is in a sound and stable financial position with expenditure balanced against available revenue.
- Councils current position is due in part to the significant work already undertaken by Council in relation to reducing its operating costs and improving the efficiency of its operations. To date this work has realised a $7.4 million per annum improvement in its financial position.
- In comparison with neighbouring councils, Council has a lean staffing establishment and a diverse revenue base and is less reliant on rating revenue to fund its operations.
- Like many councils, Council is experiencing a structural funding shortfall due to past under-investment in asset management.
- TCorp's (NSW Treasury Corporation) assessment of Council's financial position confirmed Council's capacity to meet financial commitments in the short to medium term but pointed to a need to increase revenue to address the legacy of asset underspend and stabilise its financial outlook.
- Revenue shortfalls have not enabled Council to fund the total cost of asset management. Without intervention, Council is facing a projected asset funding shortfall of $69M over the next 10 years.
  - Council recently engaged Morrison Low Consultants Pty Ltd to review Council's current financial position and Council's strategies for financial sustainability. Morrison Low found that Council's Fit for the Future strategies were generally consistent with other councils and were found to be appropriate to address Council's financial sustainability. The estimates associated with the strategies were found to be prudent and reasonable and applicable challenges were recognised. Morrison Low also indicated that in their view Council needs a substantial Special Rate Variation.

<u>Issues impacting on financial sustainability</u>

- Council's capacity to achieve long-term financial sustainability has been adversely impacted by rate pegging, cost shifting and a decline in financial assistance from other levels of government.
- The geographic size of the Hawkesbury and lower population density means that in comparison with adjoining councils, Council has a relatively larger asset portfolio and a higher per-capita infrastructure cost.
- Development constraints including significant areas of land subject to flooding and bushfires, have placed limits on the potential for residential development and overall population density will remain low by urban standards.

- While the Hawkesbury is classified as part of Metropolitan Sydney, its blend of urban and rural settlements is uncharacteristic of the metropolitan area.
- There is a challenge in meeting community expectations for urban levels of service and infrastructure (available in adjoining areas of metropolitan Sydney) from a semi-rural rating base.

Planning to become 'Fit for the Future'

- Council is implementing a Fit for the Future Improvement Plan to achieve, by 2021, the financial benchmarks set by the NSW Government.
- The Fit For The Future Improvement Plan builds on the cost containment, efficiency and revenue measures, that have been progressively implemented since 2007 and which have enabled Council to invest an additional $7.4M a year in asset management to address the asset funding shortfall.
- By 2021 the Fit for the Future Plan will generate a further round of efficiency savings of $2.4M a year, increase non-rating revenue by $1.9M a year, and realise a further $1.5M in property sales.
- The Fit for the Future Plan includes provision for a special rate increase to raise the balance of the revenue required to achieve financial benchmarks and resolve the asset funding shortfall.
- The proposed special rate increase is being considered only after Council has comprehensively reviewed its operations to achieve ongoing cost reductions and efficiency measures.

Community Engagement and Consultation

- Council has implemented an intensive 3-stage community engagement strategy commencing in July 2016 using a range of engagement platforms;
- The consultations indicated that:
  - the community was not satisfied with current levels of service for a range of Council services, facilities, and activities
  - residents would like Council to improve service levels by increasing investment in Council services, facilities and activities
  - priorities for future investment should centre on roads, public spaces and town centres
  - the majority of residents did not want service levels to reduce and were willing to pay additional rates to maintain or improve services.

Three 'Fit for the Future' Resourcing Options

- Council has presented three resourcing options to the community aimed at improving financial sustainability and meeting the asset funding shortfall.
- two of the options (Option 2 and Option 3) are based on revenue assumptions involving additional rate increases, while Option 1 would require a program of service level reductions:
  - **Option 1** provides no additional investment in services and facilities and would require Council to identify service level reductions of $4M to $5M a year from its community, cultural, civic and recreational programs, if it is to maintain core services and critical infrastructure
  - **Option 2** will fund a $3.4M annual increase in asset maintenance and a 10 year $22.5M program of new works

- **Option 3** will fund a $5.9M annual increase in asset maintenance, a rolling program of new works ($29.5M in the first 10 years) and a $1.9M annual investment in community programs.

- Detailed district programs outlining the scope of works to be delivered under each of three resourcing options have been prepared and published.

- Council has identified Option 3 as its preferred investment vehicle as it would best enable Council to maintain and improve service levels to meet community expectations and realise the community's long term vision for the Hawkesbury.

- Other options to achieve long term financial sustainability, including amalgamation, service level reductions, and large-scale residential development have been considered and either rejected by the NSW Government or have limited support within the community.

<u>Impact on ratepayers</u>

- In comparison with 'benchmark' councils:

  - average residential rates in the Hawkesbury are relatively low and have increased at a lower rate over the last five years
  - the proportion of weekly household income required to pay the average residential rate is also lower and has fallen over the last five years.

- Based on relative socio-economic indexes, the Hawkesbury has some of the more advantaged areas in Australia. However there are also suburbs which are relatively disadvantaged.

- Modelling of the impact of the investment options shows that that by 2021 the average residential rate will increase by:

  - $86 a year or $1.56 a week under Option 1
  - $257 a year or $4.92 a week under Option 2
  - $351 a year or $6.73 a week Under Option 3.

- Council has reviewed its rating structure to bring rating yields back into alignment with proportional land values in response to rating inconsistencies, which resulted in residents in the residential rating category, within the same localities, treated differently for rating purposes.

- The rating changes which took effect from 1 July 2017, will lessen the impact of the proposed special rate increases on those relatively disadvantaged localities with the highest proportion of low income households.

- Some properties in localities bordering the North West Growth Sector have experienced large rating increase relative to other areas in the Hawkesbury, as a result of the substantial increase in their NSW Valuer General determined land values.

Outcome of Public Exhibition of Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021

The Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021, were placed on public exhibition between 13 October 2107 and 10 November 2017.

In conjunction with the public exhibition period, information about the documents was included in the Spring 2017 Community Newsletter, distributed with the quarterly rates instalment notices, and display copies were made available at Council Offices, Richmond and Windsor Libraries, and the North Richmond Community Centre. Notices were also placed in the Hawkesbury Courier and the Hawkesbury Gazette advising of the public exhibition as well as a media release was issued and information was contained in the "From the Mayor's Desk" online column. Two drop-in information sessions were also held on November 2, 2017 in the Stan Stevens Studio at the Deerubbin Centre, between 6.00 pm to 8.00pm, and November 6, 2017 at the North Richmond Community Centre, between 3.00pm and 5.30pm.

138 submissions, including five late submissions, were received in response to the public exhibition of the draft supplementary documents. One of the submissions primarily dealt with spelling, grammatical and formatting issues and the suggested corrections have been incorporated within the revised Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021, which has been appended to this report under separate cover as Attachment 1.

In addition to these submissions, representations and a petition from the Oakville Progress Association Inc. were also received and are addressed later in this report.

Summary of Submissions Received

Table 1 summarises the submissions received by location and the response to Council's preferred investment option (Option 3).

Table 1: Summary of Submissions Received by Location and Preference

Locality	Email & hard copy	Online	Total	Support for Council's preferred investment option		
				Support	Not support	Not specified
Bligh Park	1	0	1	1	0	0
Cattai	1	0	1	0	1	0
Ebenezer	0	1	1	0	1	0
Freemans Reach	1	0	1	1	0	0
Grose Vale	0	1	1	1	0	0
Grose Wold	1	0	1	0	1	0
Lower Portland	0	1	1	1	0	0
Maraylya	5	2	7	0	7	0
North Richmond	4	1	5	4	1	0
Oakville	67	29	96	0	93	3
Pitt Town	1	0	1	0	1	0
Sackville	1	0	1	1	0	0
South Windsor	1	0	1	0	1	0
Unknown	0	2	2	0	2	0
Vineyard	2	0	2	0	2	0
Wilberforce	1	0	1	0	1	0
Windsor	2	1	3	2	0	1
Windsor Downs	2	10	12	0	12	0
Totals	**89**	**48**	**138**	**11**	**123**	**4**

Table 1 shows that the majority (83%) of submissions (115 of 138) were received from three localities – Oakville, Maraylya and Windsor Downs. None of the submissions from these localities supported Council's preferred investment option and generally supported Option 1. Of the remaining 21 submissions where a resourcing option preference was nominated, 11 submission supported Council's preferred investment option and 11 submissions did not support Council's preferred investment option.
A summary of the content of the 138 submissions received in response to the public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027, and the Draft Supplementary Delivery Program 2017-2021, has been appended to this report (Attachment 2). Redacted copies of each submission have also been appended under separate cover (Attachment 3). It should be noted that the order in which the submissions are summarised in Attachment 2, does not match the order in which they are reproduced in Attachment 3.

Submissions supporting Council's preferred investment option

In general, the submissions which were supportive of Council's preferred investment option largely endorsed the analysis presented by Council within the Draft Supplementary Resourcing Strategy.

Respondents were of the view that the current rating structure is equitable and has redressed the inconsistencies for properties of less than 2 hectares.

Support for Council's preferred investment option was based on its capacity to:

- maintain and improve community assets and meet community expectations for services and facilities to support community life
- address infrastructure backlog and finance best possible service outcomes
- enable Council to be fit for the future and remain independent
- give Hawkesbury City Council long term financial stability
- maintain the amenity of the Hawkesbury and support sensitive, small scale development to preserve the rural and heritage values of the Hawkesbury
- maximise the potential of the Hawkesbury.

Submissions not supporting Council's preferred investment option

There were consistent issues raised within the 123 submissions which did not support Council's preferred investment option. As 112 (91%) of these submissions were from three localities - Maraylya (6% of submissions not supporting Council's preferred investment option), (Oakville (76%), and Windsor Downs (10%) - these issues were location specific and related to the effect of rating changes, land valuations and urban development on properties within these three localities. The submissions from these localities raised the following issues:

- the impact, equity and fairness of the rating system
- a request that Council not proceed with the proposed Special Rate Variation Application (SRV) until the perceived inequities of the current rating system were resolved and rates 'normalised'
- development restrictions preventing residents from benefitting from the increase in land values
- eliminating waste and frivolous expenditures which would negate the need for an SRV
- the representativeness of surveys undertaken by Council or on Council's behalf as a measure of community sentiment
- Council has misled residents in relation to being 'Fit for the Future' and its response to the NSW Government's council merger proposals.

Table 2 summarises the 10 key issues raised in these submissions. As more detailed responses to each of these issues, including actions taken by Council to address them, follows on from Table 2.

Table 2 – Summary of issues and responses for submissions not supporting preferred option

Key Issue raised by Submission Respondents	Response
1. Rating system discriminates against properties with higher land values.	• Council's rating structure is determined by the provisions of the NSW Local Government Act, 1993. • Relative rating charges between properties is primarily determined by land value. • Council has made a submission to the IPART review of the local government rating system to increase the equity of rating methodologies and is awaiting response of NSW Government to the IPART review.
2. Why did Council change its rating structure in 2017/2018 to increase rates in Oakville?	• The rating structure was reviewed to address inconsistencies in the treatment of residential and rural residential properties in the same localities. • The 2016 Valuer General land revaluation was the primary cause of rate increases in Oakville, which commenced on 1 July 2017, due to substantial increases in land value relative to other areas in the Hawkesbury. • Council has worked with NSW Valuer General to explain the land valuation process and options available to request a review of land valuations.
3. Council should defer consideration of special rate until rating structure is normalised.	• The current rating structure achieves, as far as possible, a fair and equitable distribution of rates based on land valuation, which is central to the calculation of rates under the NSW Local Government Act. • Council's rating structure is not dissimilar to the rating structures of other councils. • Council is investigating further measures available to it to potentially smooth out and address the relative rating impacts of increased land value.
4. The recent doubling of rates together with proposed SRV increase will impose financial hardship.	• Council is conscious of the impact of the recent land revaluations on ratepayers in suburbs affected by substantial increases in land value. • Based on the 2016 census data there may be up to 183 households in these suburbs whose reported income and housing costs could impact on their capacity to meet cost of living increases, including rates. • Council has broadened the hardship provision within the relevant Policy to provide rate relief in cases of demonstrated financial hardship arising from land revaluations.

Key Issue raised by Submission Respondents	Response
5. Council should permit land owners to develop their land to benefit from nearby development which has pushed up land values.	• Rating categorisation and zoning of land are covered by separate legislation and one does not determine the other. • The plans for the subdivision of land in some areas in Oakville and Vineyard, is well underway by the NSW Department of Planning and Environment (DPE). • The possible extension of these areas will be subject to the provision of required utilities and infrastructure by NSW Government. • Council has unsuccessfully sought approval from the DPE to permit detached dual occupancy in rural zones but has resolved to further investigation these options in Oakville and Maraylya.
6. Council should rein in unnecessary spending before considering and SRV.	• Council is proposing an SRV only after it has comprehensively reviewed its operations to achieve ongoing cost reductions and efficiency measures. • Despite these measures Council, like the majority of local councils in NSW, is still facing an asset renewal shortfall. • The SRV is intended to raise the balance of revenue to resolve this shortfall. • Council had commissioned an independent review of its financial sustainability plan which confirmed the need for a special rate variation.
7. The outcome of Council's surveys were not representative of the community.	• Since June 2016, Council has been engaged in an ongoing conversation with residents about the future of the Hawkesbury. • The tools used as part of the community engagement program are consistent with IPART guidelines. • The telephone survey element of the program is statistically valid and some confidence can be applied to its outcome which showed that the majority of residents supported a special rate option.
8. Council has misled residents about being Fit for the Future. If you are fit Why do you need and SRV?	• Council's Fit for the Future Plan was first submitted in June 2015 and including the provision for special rate increases. • Council's proposal indicated that its future sustainability was contingent on an SRV. • The Plan, inclusive of the special rate option has been approved by the NSW Government for implementation. • Special rate increases are a strategy adopted by most NSW council to resolve their asset funding shortfalls.
9. Council has misled residents about amalgamation with the Hills Shire.	• Council's objection to the merger proposal was outlined in its submission to the independent inquiry into the proposed merger. • The independent delegate generally concurred with Council's reasoning and recommended that the proposed merger not proceed – a recommendation that the NSW Government accepted.

Key Issue raised by Submission Respondents	Response
10. Council is increasing rates but delivering very few services. What are you doing with the rating windfall from recent rate increases in Oakville?	• Council delivers a range of services across all areas of the Hawkesbury. • The rating income collected from residents contributes to the funding of these services. • Total rates collected each year is determined by a rate peg set by the NSW Government (through IPART). • In 2017/2018, the rate peg amount of 1.5% - as this was less than CPI, the net additional income did not provide Council with extra capacity to increase spending on new works or services.

Detailed responses to Key Issues in submissions not supporting Council's preferred investment option

Issue 1 *The current rating system, which is based on land values, discriminates against larger properties and properties with higher land values.*

Response Council is required to calculate annual rate charges based on the provisions of the NSW Local Government Act, 1993. Under the Act, rates can be made up of two components, an *ad valorem* rate-in-the-dollar amount applied to the assessed land value of each property, and a *base amount* applied equally to all properties in the same rating category.

The rating income collected under the base amount cannot exceed 50% of the total rates collected from all rateable properties. This means that differences in relative rating charges between properties is primarily determined by land value.

In 2016, the NSW Valuer General updated land valuations for all properties in NSW. Average land valuations for localities in the Hawkesbury varied from a fall of 15% to an increase of 206%, with an average increase across the Hawkesbury of 40%. As a result, assessed rates for individual properties increased or decreased relative to each other based on these different land values.

These relative adjustments occur after each land valuation review by the Valuer General. Council is required to apply the outcome of these revaluations, and is unable to defer the application of land revaluations to the calculation of rates.

The 2016, land revaluations particularly affected properties in areas adjoining the North West Growth Sector which experienced substantial increases in their land values and consequently a proportionally large increase in their rates, relative to other properties in the Hawkesbury. The primary factor driving these rating increases was the rise in land values of these properties relative to other properties.

For the average property in Oakville, rates increased by $1,628 in 2017/2018 – of this amount $1,298 (almost 80%) was attributable to the impact of the land revaluations.

Actions taken by Council in response to this issue

In December 2015, the Premier of NSW requested the Independent Pricing and Regulatory Tribunal (IPART) undertake a review of the Local Government Rating System. In May 2016, Council lodged a submission with IPART responding to the 23 issues identified by IPART for public comment and feedback. Council's submission included suggestions for increasing the equity of rating methodologies including a review of the basis for setting the ad valorem component of rates (i.e. that portion based on land value).

The Review has been completed and a report was presented to NSW Government by IPART in December 2016. Council is currently awaiting the NSW Government's response to the IPART review to determine the need for further action in relation to the review of the rating system. In September 2017, Council resolved to submit a Notice of Motion to the 2017 NSW Local Government Annual Conference calling on the NSW Government to expedite the release of the IPART Report.

Issue 2 *Why did Council change its rating structure in 2017 which lowered rates for the majority of ratepayers and increased rates in Oakville and a small number of other suburbs?*

Response: Council reviewed its rating structure to address inconsistencies which had arisen following previous changes made to the rating structure which took effect from 2013/2014.

Prior to 2012 all properties in the Residential rating category (including the rural residential sub-category) were treated the same for rating purposes. In 2012, Council amended its rating structure to treat rural and rural residential properties differently. A lower ad-valorem rate- in-the-dollar was applied to properties in the rural residential sub-category. The intended purpose of this change was to compensate rural properties for the relative distance of these properties from Council services. In practice this objective was not achieved. The 2012 rating change actually increased rates for smaller properties (less than 2 hectares) in rural and outlying areas.

This occurred as under the NSW Local Government Act 1993, the rating sub-category of rural residential is not defined by the location of a property i.e. whether it is urban or rural, but by the size of the property (if it is between 2 and 40 hectares). Consequently, residential properties (less than 2 hectares) and rural residential properties (more than 2 hectares) can exist side-by-side in the one location. For example, there are rural residential properties in Windsor, Richmond and South Windsor and residential properties in St Albans, Bilpin, Bowen Mountain and most outlying rural areas of the Hawkesbury.

The 2012, changes increased rates for smaller properties across the Hawkesbury, in both rural and urban areas, to fund a decrease in rates for larger properties in the same areas. The 2012 change saw an average increase of $118 for smaller properties across all areas of the Hawkesbury (less than 2 hectares) and an average decrease of $512 for larger properties in the same localities (between 2 and 40 hectares). The average decrease in Oakville was $638.

In considering these impacts, the current Council came to the view that the 2012 rating change was inequitable. Its intended compensatory impact on properties in rural and outlying areas was unevenly distributed. The rating change increased rates for ratepayers with properties with relatively lower land values particularly in areas with higher levels of relative socio-economic disadvantage.

Accordingly, Council changed the rating structure in 2017/2018 to reverse the inconsistencies that flowed from the 2012 change to the rating structure. As was the case prior to 2012, properties in the residential rating category (including the rural residential sub-category), were once again treated the same for rating purposes.

The rural residential sub-category was re-incorporated into the overall residential rating category. The same base amount and the same rate-in-the-dollar ad-valorem amount were applied to all residential properties in all localities in both rural and urban areas.

The impact of these changes resulted in an average decrease of $97 for residential properties and an average increase of $405 for properties in the former rural residential sub-category. These changes partially offset the rating increases and decreases that occurred following the 2013 rating change (where average residential rates increased by $118 and rural residential rates decreased by an average of $512).

Actions taken by Council in response to this issue

Council's 2017/2018 rating structure applied the same base amount and the same rate-in-the-dollar ad-valorem amount equally to all properties in all suburbs within the Residential rating category. For rating purposes, Oakville was treated the same as all other areas in the Hawkesbury.

In this context, the 2016 land revaluations undertaken by the NSW Valuer General were the primary cause of the rating increases experienced by some properties as a result of the substantial increases in their land values relative to other areas in the Hawkesbury. For the average property in Oakville, the 2017/2018 change to the rating structure accounted for $338 (just over 20%) of the $1,628 average rating increase that occurred in Oakville – the balance of the average increase ($1,298) was attributable to the impact of land revaluations.

In response to concerns raised by residents at the round of 'Investing in Your Future' town meeting held during July and August 2017,about land valuations and rating increases, Council arranged for representatives of the NSW Valuer-General to address concerned local residents at a public meeting held on 30 August 2017. At this meeting, the NSW Valuer-General representatives outlined the land valuation process and their impact on rates, and provided residents with the opportunity to ask questions and make specific enquires about the valuations of their properties.

In August 2017, Council made representation to the NSW Valuer-General to extend the time period for residents to request a review of their assessed land value. Council is aware that residents have lodged objections with the NSW Valuer-General to seek a review of their assessed land value and as a result valuations have been amended.

Issue 3 *Council should defer any consideration of a Special Rate Variation increase until the rating structure is 'normalised'.*

Response Council's current 2017/2018 rating structure is consistent with the rating provisions and principles outlined in the NSW Local Government Act. Under the Act, land values are the primary variable used to calculate the rating charges levied on individual properties within each rating category (residential, business, farmland and mining).

In practice, this means that the total rates levied on all properties in a rating category is aligned with the proportional land value of the properties in that category. For example, if properties in the residential rating category account for 50% the total land value across a local government area, then those properties should collectively generate 50% of total rating income. This is referred to as the 'notional yield'. To collect this notional yield, a council calculates an *ad valorem* rate-in-the dollar amount - the total land value of all properties in the same rating category divided by the total proportional rating income to be collected under that rating category (i.e. the notional yield), less that proportion of rates that may be collected through any base amount. The ad-valorem rate-in-the dollar is then be applied to the land value of each property (as assessed by the NSW Valuer General) to determine the rates to be paid by each property.

Councils can vary this formula. For example, a council could reduce the rate-in-the-dollar amount for properties in the farmland category to implement a strategic objective to support agriculture and rural industries. However, the reduction in the rate-in-the-dollar ad valorem amount for properties in the farmland category would need to be offset by an increase in the rate-in-the-dollar ad valorem amount for properties in another rating category if total rating revenues are to be maintained.

Council's current rating structure is consistent with these principles. Table 3 tracks the relationship between land value and notional yield for each rating category over the period 2011 to 2017.

Table 3 – Council rating structure 2011 to 2017

rating category (sub-category)	2011/2012		2013/2014		2017/2018* (without restructure)		2017/2018	
	% of LGA land value	% of LGA rating yield	% of LGA land value	% of LGA rating yield	% of LGA land value	% of LGA rating yield	% of LGA land value	% of LGA rating yield
Residential	84%	85%	57%	65%	56%	65%	87%	85%
(rural residential)			28%	20%	31%	20%		
Farmland	7%	5%	7%	5%	6%	5%	6%	4%
Business	9%	10%	9%	10%	7%	10%	7%	11%

Prior to 2012, residential and rural residential properties were treated the same for rating purposes (rural residential being a sub-category of the residential category). In 2011/2012 the residential rating category (which included the rural residential sub-category) accounted for just under 85% of land values across the Hawkesbury and consequently 85% of rating income collected by Council.

In 2012, Council amended its rating structure to differentiate between properties of different sizes – 'residential' properties (less than 2 hectares) and 'rural residential' properties (between 2 and 40 hectares) were treated differently for rating purposes. A lower *ad valorem* rate-in-the-dollar was applied to properties in the rural residential sub-category to reduce the rating yield from these properties – this meant that while rural residential properties represented 28% of land values across the Hawkesbury, their rating yield was fixed at 20%. This reduction in rating yield was offset by increasing the rating yield (65%) from the remaining residential properties relative to their proportional land value (57%). This change altered the balance between land value and rating yield.

The 2016, land revaluations undertaken by the NSW Valuer General intensified this imbalance. As shown in Table 2, if the previous rating structure had been retained, rural residential properties which currently account for 31% of land values across the Hawkesbury would have still contributed a fixed 20% of the rating yield, while the rating yield for remaining residential properties would have remained at 65% while their proportional land values would have decreased further (56%). Council changed the rating structure in 2017/2018 to bring rating yields back into closer alignment with their proportional land values. In this respect, the current rating structure has 'normalised' the distribution of rates.

The current structure achieves, as far as possible, a fair and equitable distribution of rates based on land valuation which is central to the calculation of rates under the relevant provisions of the NSW Local Government Act. Council's rating structure is not dissimilar to the rating structures of other councils.

Actions taken by Council in response to this issue

There are currently limited mechanisms under the NSW Local Government Act for councils to 'smooth out' the impact of substantial changes in land values as occurred in Oakville.

Apart from its submission in response to the IPART review of the local government rating system, and representations to the NSW Valuer General on behalf of concerned residents, Council has however resolved to further discuss the rating structure and is presently engaged in this process.

A further Councillor Rates Workshop has been scheduled for February 2018 to investigate options available in regard to the various elements of Council's rating structure, including the distribution of rates across the local government area.

Issue 4 *Rates in Oakville have more than doubled and together with the proposed additional SRV increase will impose severe financial hardship on many residents.*

Response Council is conscious of the impact of the recent land revaluations on ratepayers in Oakville and other suburbs affected by substantial increases in land value.

As reported above, the average 2017/18 rate increase in Oakville was $1,628 which represents a weekly increase of $31.31 – the change to the rating structure was responsible for $6.50 (a $338 annual increase) of this amount and the land revaluation $24.81 ($1,290 annually). Oakville has been the locality most affected by land revaluation and Council's preferred investment option (Option 3) would result in an additional rating increase of $18.69 a week by 2021 for the average property in Oakville ($972 annually).

By 2021, taking into account land revaluation and the change to the rating structure, the weekly average increase in rates in Oakville from 2016/17 will be $50 ($2,600 annually), with the change to the rating structure responsible for $10.38 ($540 annually) of this amount and land revaluation $39.62 ($2,060 annually).

On top of other cost of living pressures this cumulative rating increase may cause financial hardship for some ratepayers in Oakville, particularly those on pensions or fixed incomes.

The Draft Supplementary Resourcing Strategy includes an assessment of the capacity of ratepayers to meet the cost of increased annual rates. Based on the analysis of Socio Economic Indexes for Areas (SEIFA) compiled by the Australian Bureau of Statistics, the Hawkesbury is ranked as one of the more advantaged communities within Australia in relation to income, employment, housing and other community indicators of well-being.

While the SEIFA data indicates that Oakville, Maraylya and Windsor Downs are relatively socio-economically advantaged compared with other localities in the Hawkesbury, with SEIFA scores well above the average across the Hawkesbury, the most recent census data from 2016 indicates that 116 of the 1,278 households in Oakville, Maraylya and Windsor Downs are low-income households. The Census 2016 data also suggests that there may be up to a further 67 households in housing stress where mortgage or rental payments currently exceed 30% of gross weekly income.

Based on the 2016 census data there may be up to 183 households in Oakville, Maraylya and Windsor Downs whose reported income and housing costs could impact on their capacity to meet cost of living increases, including rates.

Actions taken by Council in response this issue

Council's existing Debt Recovery Policy includes provisions for payment arrangements where ratepayers are experiencing financial difficulties.

Council has recently updated this Policy to include additional hardship provisions to assist pensioners and low income households in demonstrated financial hardship to meet their financial obligations. The revised draft Policy has been placed on public exhibition with the outcomes reported elsewhere in this Business Paper.

The revised Draft Debt Recovery, Pensioner Concession and Hardship Policy provides for assistance to be made available through:

- periodical payment arrangements
- writing off accrued interests and costs
- extension of pensioner concessions
- rate relief or deferment in cases of financial hardship arising from a land revaluation of the local government area.

Following Council's consideration of the draft Policy, information will be distributed to ratepayers advising them of the hardship provisions within the policy and how to contact Council to discuss the requirement for assistance under the policy.

Issue 5 *Why can't Council permit land owners to subdivide or build granny flats on their land to allow them to benefit from nearby development which has pushed up land values?*

Response The categorisation of land for rating purposes and the zoning of land for land use purposes are covered by separate pieces of legislation.

Rating categories and the levying of rates are covered by the NSW Local Government Act,1993. Land use planning is covered by the NSW Environmental Planning and Assessment Act 1979 and Local Environment Plans prepared in accordance with the provisions of this Act. Rating categories and land use zones are not interconnected and one does not determine the other.

Whether or not a residential property can be subdivided is primarily determined by the minimum allotment size pertaining to that property as contained within the Hawkesbury Local Environmental Plan. Any proposed subdivision must also satisfy the development controls within the Hawkesbury Development Control Plan. Land within Oakville (and other similar areas across the Hawkesbury) is primarily zoned as RU4 (Primary Production Small Lots) with a range of permitted uses.

Some areas of Oakville and Vineyard lie within the North West Growth Sector and plans for the rezoning of these areas to permit subdivision are currently being prepared by the NSW Department of Planning and Environment. The potential for the subdivision of further areas surrounding the North West Growth Sector may be investigated by the Department in the future but will be subject to an assessment of the timing of the provision of utilities and infrastructure by the NSW Government to support this further development.

For its part, Council has prepared and submitted planning proposals to the NSW Department of Planning and Environment on three occasions (in 2014, 2015 and 2016) to amend the Hawkesbury Local Environment Plan (HLEP) to permit detached dual occupancy in rural zones. The proposed amendments were not supported by the Department due to flood evacuation concerns. The Department indicated that further consideration of the proposed HLEP amendments would be deferred until the release of the Hawkesbury-Nepean Flood Risk Management Study. Council had made a number of representations to the NSW Government to seeking to expedite the release of the Study. The Hawkesbury-Nepean Flood Risk Management Strategy has subsequently been recently released (June 2017).

Actions taken by Council in response this issue

Following the release of the Hawkesbury-Nepean Flood Risk Management Strategy, Council is now working with state government agencies and stakeholders to undertake further investigations based on the actions within the Strategy aimed at resolving flood evacuation and flood mitigation issues.

In addition to this work, in September 2017, Council resolved to investigate options to allow detached dual occupancy and secondary dwellings in Oakville and Maraylya in areas unaffected by flood evacuation issues. This investigation is currently being progressed.

Issue 6 *Council should look closely at its spending and rein in unnecessary costs before considering an SRV. Council should be living within its means.*

Response As outlined in the Draft Supplementary Resourcing Strategy, the cost of Council's day-to-day operations are currently balanced against available revenue. However, as successive reviews of the financial sustainability of local government in NSW have indicated, the majority of councils in NSW have been under-spending in the area of asset management and like most councils, Council is facing a structural funding shortfall due to this legacy of under-investment. Without intervention, Council will face a cumulative infrastructure funding gap of $89M over the next ten years.

Council is proposing an SRV, only after it comprehensively reviewed its operations to achieve ongoing cost reductions and efficiency measures. Since 2007, these measures have enabled Council to invest an additional $7.4M a year in asset management to address the asset funding shortfall. Council has also adopted a Fit for the Future Improvement Plan, which by 2021, will generate a further round of efficiency savings of $2.4M a year, increase not-rating revenue by $1.9M a year, and realise a further $1.5M in property sales.

In comparison with most of our neighbouring councils, Council has a lean staffing establishment and has been less reliant on rating revenue to fund its day-to-day operations. Despite the measures taken to date, Council is still facing a revenue shortfall if it is to fund the total cost of maintaining, renewing and replacement its $1.1B portfolio of community assets.

The purpose of Council's preferred investment resourcing option (Option 3) is to generate the balance of the revenue required to resolve the asset funding shortfall.

Actions taken by Council in response this issue

In September 2017, Council commissioned Morrison Low Consultants Pty Ltd (Morrison Low) to undertake an independent review of Council's Fit for the Future Improvement Plan, including the proposal for special rate increases, to investigate if there were other strategies or options that Council could pursue to improve its long term financial sustainability.

The Morrison Low report concluded that Council's Fit for the Future strategies were prudent, reasonable and appropriate for addressing Council's financial sustainability and were generally consistent with other councils. The report also confirmed that Council required a special rate variation to raise additional revenue.

Issue 7 *The outcome of Council's survey of community sentiment was not representative of the community.*

Response Since July 2016, Council has been engaged in an ongoing conversation with residents about the future of the Hawkesbury. As part of this consultative process, Council has provided information to residents about the need and purpose of a proposed special rate increase and has sought community feedback on these matters. This community engagement program has incorporated the range of engagement platforms and information elements identified by the Independent Pricing and Regulatory Tribunal (IPART) in their Guidelines for the Preparation of an Application for a Special Rate Increase.

The engagement strategy implemented by Council provided the opportunity for all residents to identify their preferred resourcing option by either the postal ballot sent to all ratepayers, an on-line survey, or through the straw poll conducted at the conclusion of the 10 town meetings held across the Hawkesbury. These engagement platforms were additional to the statistically valid telephone survey carried out on Council's behalf by an independent research company.

The sample size for the telephone survey was 401 respondents. The selected survey sample reflected the demographic profile of the Hawkesbury (age, gender, employment status, location and length of residency). The survey had a margin of error of ± 4.9% which meant that if the survey was replicated with a different survey sample of 401 residents, 19 times out of 20 the same result would be achieved plus or minus 4.9%.

Based on the outcome of the telephone survey, community support for Option 1 could conceivably vary from 38% to 48% while support for a special rate option could vary from 52% to 62%. As the telephone survey is statistically valid, some confidence can be applied to the overall outcome which showed that a majority of residents supported a special rate option (either Option 2 or Option 3).

Council acknowledges that while the other engagement platforms (the postal ballot, on-line survey and town meeting straw poll) are not statistically valid, they did demonstrate that the more residents were appraised about Council's financial position and the purpose of the proposed special rates, the greater their level of support for a special rate option and Option 3 in particular.

Actions taken by Council in response this issue

Council will be continue to monitor community sentiment through its two-yearly community survey. Council has recognised that creating more opportunities for residents to access information about Council operations and issues would improve its communication with residents. To this end it is currently in the process of implementing a digital communication strategy to enhance its on-line presence and the distribution of information to residents.

Council is also planning to undertake an annual series of town meetings across the Hawkesbury to report on its activities and future programs and to provide a forum for residents to ask question and raise issues and concerns.

Issue 8 *Council has misled residents about being Fit for the Future. If you are Fit for the Future why do you need an SRV?*

Response Under the NSW Government's Fit for the Future Reform Program all councils in NSW were required to submit proposals by June 2015 outlining the steps to be taken to achieve financial sustainability by 2021 as measured against the required financial benchmarks.

Council submitted its initial Fit for the Future Improvement Proposal in June 2015. The proposal incorporated provision for further consultation with the community on investment options including the possibility of special rate increases. Council's proposal indicated that achieving the required Fit for the Future financial benchmarks would be contingent on either an SRV or service reductions to find additional expenditure savings equal to the revenue to be raised through a special rate increase.

Many of the Fit for the Future Proposal submitted by NSW councils included either proposed applications for special rate variations, or advised that they had already lodged an SRV application or made reference to an SRV that had already been approved and implemented. Since 2007, 100 of 152 NSW councils have applied for SRV increases to raise the rating revenue required to resolve their asset funding shortfalls.

Council submitted a revised Fit for the Future Improvement Proposal to the NSW Government in November 2016. The revised proposal retained the two options for special rate increase that were outlined in Council's initial Fit for the Future proposal. The proposal for a special rate variation has been in the public domain since June 2015. Council's consultations with residents, and the information distributed to residents, have consistently referred to a requirement for a special rate increase and/or service reductions in order for Council to achieve the Fit for the Future financial benchmarks.

In August 2017, Council's revised Fit for the Future Improvement Proposal, inclusive of the special rate resourcing options was approved for implementation by the NSW Government and will be monitored by the NSW Government through the Office of Local Government.

Actions taken by Council in response this issue

Council is currently implementing the cost containment, efficiency, and revenue measures as outlined in its Fit for the Future Improvement Plan. As part of this process Council will be compiling public 'dashboard' reports to inform the community on progress in achieving these measures.

Issue 9 *Council has misled residents about its position regarding the amalgamation with The Hills Shire. You told us that you were Fit for the Future and now you want to impose massive increases to rates.*

Response In December 2016, the NSW Government proposed a merger of the Hawkesbury and part of The Hills Shire. Council deferred the implementation of its 'Fit For The Future' Plan pending the outcome of the merger proposal. Council's objection to the proposed merger was outlined in its s submission to the independent delegate (Mr Garry West) who was appointed by the NSW Government to conduct the public inquiry into the merger proposal.

Council's assessment of the merger proposal was that while there were some financial benefits which may have flowed from the merger, these benefits were outweighed by the adverse impacts to the local economy and the community. The relatively modest merger savings projected by the merger proposal could be achieved more effectively and efficiently through the implementation of Council existing 'Fit For The Future' proposal and in particular through its Regional Strategic Alliance with the Blue Mountains and Penrith Councils.

The information provided to residents both pre and post the public inquiry into the merger proposal was the same, residents were advised that Council's financial sustainability was contingent on implementing the 'Fit For The Future' Plan.

The independent delegate generally concurred with Council's assessment and came to the conclusion that the merger entity would not be financially sustainable. The inquiry found that the merged council would operate in deficit for at least 10 years following the merger and that a resourcing strategy, including rating increases, would still be needed to raise the revenue required to meet the asset funding shortfall – particularly to renew the area's rural road network.

The independent delegate recommended that the proposed merger should not proceed - a recommendation that the NSW Government accepted. The merger did not proceed on the basis of the recommendation of the independent delegate and the decision of the NSW Government.

Actions taken by Council in response this issue

Council recognises that despite the decision not to proceed with the merger proposal, it cannot remain complacent and will need to continue to consolidate its strategic capacity and financial sustainability if it is to remain fit for the future and continue to efficiently deliver services and infrastructure to the residents of the Hawkesbury.

To this end Council will continue to collaborate with its Regional Strategic Alliance partners to plan and deliver increased operating efficiencies through economies of scale and shared service arrangements. To date Council has entered into joint arrangements for a number of council functions (internal audit, business improvement), services (regional tourism) and procurements (heavy plant hire). It is currently also investigating regional asset management opportunities.

Issue 10 *Council is charging us increased rates but delivering very few services. What services does Council and what is Council doing with the rating windfall from the recent rate increases in Oakville?*

Response Council's primary responsibilities involve the management of community assets and facilities (roads, community buildings, parks, stormwater drains); waste management services; town planning; public order, health and safety; emergency services; and the provision of cultural, recreation, civic and community programs. These functions require the provision of a diverse range of services to the community.

These Council services are available to all residents irrespective of where they live, however the distances from these services does impact on the day to day access that residents enjoy to these services. Council provides the same network of services and facilities to all areas within the Hawkesbury – it maintains local roads, bridges, local parks, and other community facilities across the Hawkesbury, it provides town planning, compliance and enforcement, companion animal services, community services, event sponsorship, graffiti removal, stormwater management and other services to all areas in the Hawkesbury, though the frequency of service provision may vary between areas.

Some facilities, such as the Library, Gallery and Museum, Regional Parks and District Sporting Fields are centrally located in town centres as their catchment populations are regional rather than local, however they are used by all residents which is reflected in the membership of these services and the sporting organisations that use these facilities (for example 43% of library members live in rural localities). Some civic infrastructure such as street lighting, kerb & guttering and footpaths are generally associated with urban areas, while other essential services such as sewer and pump out services, are provided on a fee for service basis and are not funded through ordinary rates. Other infrastructure such as rural fire service sheds, standpipes, and vehicular ferries are predominantly located in rural areas.

The rating income collected from residents (which in 2016/2017 accounted for 32% of Council's income) contributes to the cost of providing these services to all residents within the Hawkesbury.

The total revenue collected from ratepayers from year to year is determined by a rate peg amount set by the NSW Government (through IPART). The rate peg sets the amount by which councils can increase the revenue they generate from rates each year.

Council's total rating income for 2017/2018 increased in line with the 1.5% rate peg amount set by the NSW Government (through IPART). The net increase in rates totalled approximately $460,000, as a result of the rate peg increase, and a smaller additional amount arising from an increase in rateable properties. As the rate peg increase was less than the increase in the Consumer Price Index, this net additional income did not provide Council with 'extra' capacity to increase spending on new works or services.

Actions taken by Council in response this issue

Council is planning to undertake annual town meetings across the Hawkesbury to report on its activities. These forums will provide the opportunity for Council to outline to each community the programs, services and works which have been delivered or which are planned to be delivered in the coming year. The town meetings will also provide a forum for residents to ask question and raise issues with Councillors and staff.

As part of its recent 'Investing in Your Future' consultations, Council has prepared district work programs to provide residents with a detailed program of works to be delivered under each of the three investment options presented to the community. Council will also be formally reporting to residents on progress in the implementation of these programs.

Representations – Oakville Progress Association

Council has received representations (29 September 2017) and a petition (10 November 2017) from the Oakville Progress Association Inc. The representations and petition included a list of questions. The questions and Council's responses to these question is appended to this report (Attachment 4).

In the main the question raise similar issues to the matters raised in the submissions summarised above. Council has advised the Oakville Progress Association that Council staff would be happy to attend a meeting of the Association to discuss the matters raised in the representations. This invitation is yet to be accepted.

The petition submitted by the Oakville Progress Association was signed by 632 persons. Table 4 provides a breakdown of the residency of the respondents to the position (where identified)

Table 4: Oakville Progress Association Petition

location	no	%
Agnes Banks	2	0.3%
Bligh Park	12	1.9%
Bilpin	2	0.3%
Blaxlands Ridge	2	0.3%
Bowen Mountain	9	1.4%
Cattai	16	2.5%
Colo Heights	1	0.2%
East Kurrajong	7	1.1%
Ebenezer	6	0.9%
Freemans Reach	7	1.1%
Glossodia	11	1.7%
Grose Vale	6	0.9%
Grose Wold	4	0.6%
Hobartville	2	0.3%
Kurmond	1	0.2%
Kurrajong	10	1.6%
Kurrajong Heights	3	0.5%
Kurrajong Hills	3	0.5%
Lower Portland	1	0.2%
Maraylya	12	1.9%

location	no	%
McGraths Hill	24	3.8%
Mountain Lagoon	1	0.2%
Mulgrave	5	0.8%
North Richmond	31	4.9%
Oakville	230	36.2%
Pitt Town	68	10.7%
Richmond	21	3.3%
Sackville	1	0.2%
Scheyville	1	0.2%
South Windsor	6	0.9%
The Slopes	3	0.5%
Tennyson	4	0.6%
Vineyard	11	1.7%
Wilberforce	13	2.0%
Windsor	8	1.3%
Windsor Downs	4	0.6%
Yarramundi	4	0.6%
Outside LGA	14	2.2%
sub-total	**566**	**89.1%**
email address	69	10.9%
total	**635**	**100.0%**

The petition question is reproduced below:

> ***Petition against Hawkesbury City Council's Special Rate Variation***
>
> *Dear resident, this is a petition against Hawkesbury City Council's intention to additionally increase rates via a SRV. This petition is opposing Option 2 and Option 3 which is the Council's preferred option.*
>
> *Option 1: is to hold rates as per normal IPART allowable increase. (IPART increase approx. 2.5% per year)*
>
> *Option 2: is an additional 7% each year for two years over the IPRT allowable increase, cumulative increase above the rate peg of 14.5%*
>
> *Option 3: is an additional 9.5% each year for three years over the IPART allowable increase, cumulative increase above the rate peg of 22.5%*

The Oakville Progress Association has requested that the outcome of the petition be incorporated into the aggregated findings of Council's Fit for the Future Community Engagement as recorded on page v of the Draft Supplementary Resourcing Strategy. The Association has suggested that the inclusion of their petition would now show that 53% of the community support Option 1 and that therefore the SRV should be deferred.

Response to Petition

The petition is a sincere measure of the strong community sentiment and concern regarding the prospect of proposed rating increases, particularly in Oakville and other areas where rating charges from 1 July 2017 were significantly impacted by land revaluations. In considering the request from the Oakville Progress Association to incorporate the findings of the petition into the overall outcomes of Council's Fit for the Future Community Engagement Program, Council would need assess the weight and representativeness of the petition as an indicator of community sentiment across the Hawkesbury. In this regard there are number of issues which Council may wish to consider:

- the petition provides no other option for respondents than to support Option 1, responses from residents who may have been inclined to support Option 2 or 3 were not anticipated and not recorded;
- it is unclear as to whether respondents were provide with information about each option to assist them in determining a position in relation to the petition question;
- the wording of the petition contains an error in its description of Option 3;

A consideration of the response provided to Issue 7 in this Report (covering Council's consultation methodologies) would also be germane to Council's assessment of the request from the Oakville Progress Association to defer consideration of a Special Rate Increase based on the outcome of their petition.

In relation to appropriate consultation platforms, IPART have released Guidelines for the Preparation of an Application for a Special Rate Increase (Guidelines), which include principles and suggested formats for appropriate community awareness and engagement strategies for assessing community feedback about special rate increases. While the Oakville Progress Association is clearly not bound by the IPART guidelines and a petition is a common and valid tool for documenting community opinion, their request to have the petition findings incorporated into Council's community engagement outcomes would need to be assessed in light of the Guidelines. As reproduced below, Council's community engagement program has incorporated all of the consultation elements identified in the Guidelines for appropriate community engagement platforms;

- a mail out to ratepayers with a reply-paid survey
- fact sheets
- media releases
- an online survey
- a random survey of ratepayers, appropriately stratified to capture the population characteristics of the LGA
- public meetings
- listening posts
- resident workshops
- online discussion forums, and
- discussions with particular community groups

The IPART Guidelines are silent on the appropriateness of petitions as a measure of community sentiment.

Comments by Council Management

In the 12 September 2017 Report to Council, which summarised the outcome of the 'Investing in Your Future' community consultations undertaken in July and August 2017, Council Management proposed that Option 3, in conjunction with the other measures in Council's Fit for the Future Plan, should be identified as Council's preferred investment option as it would best deliver on Council's commitment to build a successful future for the Hawkesbury. This recommendation was based on a consideration of the following factors:

- Capacity to achieve the community vision for the City of Hawkesbury - Option 3 provided for a longer-term revenue solution which would enable Council to respond in a meaningful way to the objectives of the Community Strategic Plan and the community investment priorities identified by residents.

- Community Preference - the clear preference of residents for Council to deliver improved services and facilities and recognition that achieving this outcome would require increased investment trough rating increases to supplement the cost containment, efficiency and non-rating revenue measures that have been achieved to date and will be continued under Council's Fit For The Future Improvement Plan.

- Affordability - the Hawkesbury has a low 'rating burden' compared with adjoining and similar councils and Council has taken steps to address the affordability of special rate increases on low income households.

- Commitment to ongoing productivity and efficiency - Council has implemented a rolling program of cost containment, efficiency and non-rating revenue measures to address its asset renewal funding shortfall with Option 3 raising the balance of the revenue required to complete the task of budget repair.

The outcome of the public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021 has not fundamentally challenged the substance of these factors. They remain pertinent to Council's consideration of its final position as to which of the three 'Investing in Your Future' resourcing options to proceed with.

As outlined in this report, the factors underlying the issues raised in the submissions that have not supported Council's preferred investment option have been carefully considered by Council and where possible Council has either commenced actions to address them or is proposing to undertake further actions in response to these matters.

The 'not support' submissions point to a strong community sentiment in those localities most affected by recent NSW Valuer-General land valuations. In particular they highlight the concern of residents as to the relative rating impact of these land valuations particularly in localities adjoining the North West Growth Sector which have experienced comparatively large rate increases from 1 July 2017. The submissions therefore call on Council to defer consideration of a special rate increase.

Not proceeding with a special rate increase, and by default, limiting future rating increases to the rate peg amount would have the following implications;

- it would not enable Council to generate the balance of the revenue required to resource the implementation of Council's Fit for the Future Improvement Plan;

- it does not provide Council with an alternate means of achieving the required financial benchmarks and resolve the asset renewal funding shortfall which is the primary factor impacting on Council's ling term financial sustainability;

- it would not resolve the issues identified by residents as these issues primarily relate to recent land valuations undertaken by the NSW Valuer General and the flow-on rating impacts which took effect from 1 July 2017;

The primary issues raised in the 'not support' submissions would seem to fall outside of the scope of matters that can reasonably be responded to in conjunction with the consideration of a special rate increase and deferring the special rate increase will not in itself resolve these matters.

Consequently, in the absence of other options to achieve financial and asset sustainability, Council Management would propose that Councils preferred investment option (Option 3) should be pursued. This assessment is based on the following considerations:

a) Limited mechanisms for moderating the rating impacts of land revaluations. The issues raised by submissions which did not support Council's preferred investment option were primarily concerned with the impact of recent rate rises particularly in Oakville and other localities adjoining the North West Growth Sector. The primary factor driving these rating increases was the rise in land values of these properties relative to other properties in the Hawkesbury. The submissions requested that Council not proceed with a special rate increase until such time as Council's rating structure could be amended to 'undo' the recent rating increases.

As highlighted in this report, the rating remedy sought by respondents is currently not available under the NSW Local Government Act 1993 which uses relative land values as the primary variable to calculate rating charges for individual properties. The IPART review of the Local Government Rating System may deal with this issue and propose options for providing councils with additional mechanisms to smooth out or stagger the relative rating impacts of substantial increases in land value as occurred in Oakville. In this context, the NSW Government's response to the Review will be an important consideration in responding to the uneven impact of future land valuations on relative rating charges.

b) The timing of land revaluations and impacts on community responses. The majority (92%) of submissions not supporting Council's preferred investment option were received from three localities adjoining the North West Growth Sector. Most if not all of these submissions emphasised recent increases in their rates as the primary reason for their opposition to Council's preferred investment option.

The NSW Valuer General's 2016 land revaluations were brought forward by 12 months to facilitate the implementation of the now deferred NSW Government's Fire and Emergency Services Levy. It is likely that the timing of the land revaluations impacted on community responses to the 'Investing in Your Future' consultations and the Draft Supplementary Resourcing Strategy. It could be reasonably assumed that the impact of land revaluations rather than the proposed special rate increases were the primary factor behind the volume of submissions from those localities most affected by the revaluations. This suggests that whatever the timing of the land revaluations, they would have generated community concern and given rise to the issues identified in the submissions, independent of any proposed special rate increase.

c) Monitoring of Council's financial sustainability. Council's Fit for the Future Plan, inclusive of a proposed special rate increase, has been approved by the NSW Government and its implementation is to be monitored by the Office of Local Government. Council has been assessed as Fit For The Future on the basis of the elements within the Plan and accordingly there is an expectation that the Plan will be delivered, reported on and tracked. A deferral of the critical elements within the Plan will impact on Council's trajectory for achieving financial sustainability and may result in intervention from the Office of Local Government.

d) Resolving the asset renewal funding shortfall. Since 2007, Council has been aggressively pursuing a rolling program of cost containment, efficiency and non-rating revenue measures to address its asset renewal funding shortfall. The purpose of the proposed special rate increase is to generate the balance of the revenue required to resolve this shortfall and to prevent the further deterioration of Council's portfolio of community assets. Without additional revenue Council will not be in a financial position to fully fund the required level of maintenance, renewal, and replacement of the assets that Council manages on behalf of the community.

e) Meeting Community Expectations. Option 3 will fund an extensive program of works and will also provide additional staffing and financial resources to enable Council to positively respond to the programs that residents have asked Council to pursue to deliver the future that residents want to see: a vibrant city with a rural feel that values its heritage, waterways, landscapes, public spaces and its community spirit. Option 3 also gives Council the capacity to resource an ongoing program of new works and activities beyond 2027.

Notification to IPART

Should Council determine to pursue its preferred resourcing option, it would be required to notify IPART of its intent by 15 December 2017. Based on the practice of previous years, the notification to IPART would need to include the specific details outlined below which are based on Council's preferred resourcing option:

Table 5: IPART notification requirements

Information Required	Council Response
Type of special rate application	Application under Section 508A of the NSW Local Government Act – being a special rate variation over a period of three years
Percentage increases each year (Inclusive of rate pegging)	As per Option 3 – 9.5% in 2018/2019, 9.5% in 2019/2020, 9.5% in 2020/2021
Permanent or temporary increase	A permanent increase which is retained within the rate base.
Purpose of the special variation	Primary purposes (based on IPART categories): • maintain existing services • enhance financial sustainability • infrastructure maintenance/renewal.
Principal contact	Executive Manager Community Partnerships

Adoption of Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021

As noted earlier in this report, only one of the 137 submissions received in relation to the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021, suggested amendments to the draft supplementary documents. This submission primarily dealt with spelling, grammatical and formatting issues and requested the inclusion of updated financial information based on Council's 2016/17 audited financial statements, which had not been completed when the draft document was prepared. These suggested corrections have been incorporated within the revised Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021, which has been appended to this report under separate cover as Attachment 1.

It is proposed that Council adopt the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 as amended, with the inclusion of additional paragraphs in the Introductory section of the draft document recording Council's determination with respect to this report, including Council's resolution.

Draft Asset Management Policy

At its meeting of 26 September 2017, Council considered a report into a review of its Asset Management Policy. In considering this report Council resolved to include the revised Draft Asset Management Policy within the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 for public exhibition. No submissions were received in relation to the revised Draft Asset Management Policy and it is proposed that Council now adopt the Asset Management Policy.

Conformance to the Hawkesbury Community Strategic Plan 2017-2036

The proposal is consistent with the following Focus Area, Direction and Strategies within the CSP.

Our Leadership

1.3 Financial Sustainability - Build strong financial sustainability for now and future generations.

- 1.3.1 In all of Council's strategies, plans and decision making there will be a strong focus on financial sustainability.
- 1.3.2 Meet the needs of the community now and into the future by managing Council's assets with a long-term focus.
- 1.3.3 Decisions relating to determining priorities will be made in the long term interests of the community.

Financial Implications

The report proposes that Council confirm its preferred investment option for resourcing the future. The investment option chosen will therefore have a direct bearing on the resources available, in revenue, people and assets to achieve the priorities and aspirations of the community for the City of Hawkesbury as set out in the Hawkesbury Community Strategic Plan 2017-2036.

RECOMMENDATION:

That:

1. Council adopt the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 as amended with the inclusion of additional paragraphs in the Introductory section of the draft document confirming its preferred Fit for the Future investment option.

2. Council confirm Option 3 as its preferred Fit for the Future investment option and notify the Independent Pricing and Regulatory Tribunal (IPART) of its intention to prepare an Application for a Special Rate Variation based on the following elements:

Information Required	Council Response
Type of special rate application	Application under Section 508A of the NSW Local Government Act – being a special rate variation over a period of three years
Percentage increases each year (Inclusive of rate pegging)	As per Option 3 – 9.5% in 2018/2019, 9.5% in 2019/2020, 9.5% in 2020/2021
Permanent or temporary increase	A permanent increase which is retained within the rate base.
Purpose of the special variation	Primary purposes (based on IPART categories): • maintain existing services • enhance financial sustainability • infrastructure maintenance/renewal.
Principal contact	Executive Manager Community Partnerships

3. Council staff prepare an Application for a Special Rate Variation and submit the draft Application for Council's consideration to the Ordinary Meeting on 30 January 2018.

4. Council adopt the draft Asset Management Policy as outlined in the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021.

ORDINARY MEETING

Meeting Date: 28 November 2017

ATTACHMENTS:

AT - 1 (Amended) Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 - *(Distributed under separate cover)*

AT - 2 Summary of submissions received following public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021

AT - 3 Redacted copies of submissions received following public exhibition of the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 - *(Distributed under separate cover)*

AT - 4 Representations from Oakville Progress Association Inc. and Responses

ORDINARY MEETING

Meeting Date: 28 November 2017

AT - 2 Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Programme 2017-2021

Summary of Submissions

No	Summary of Submission
1	We do not support the Special Rate Variation (SRV) of 30%. We do not agree with the Valuator-General valuing our land so high due to its proximity to the North West Growth Centre. We do not agree with the 180% increase in our rates or the 30% increase of an additional SRV. It is creating hardship for residents, particularly pensioners. The rate system is unfair. We have seen very little improvement to roads, footpaths, or trees maintained in our area.
2	Opposed to Option 3, 22.5% rate increase over 3 years. Council should broaden the rate base so less burden on individual ratepayers.
3	It is creating hardship for Oakville residents, particularly pensioners. The Special Rate Increase should only be applied to properties that have not had a rate increase this year.
4	We want fair rates. Strongly opposed to the SRV rate increase.
5	We are opposed to an SRV increase. Just hit with a 120% for our Oakville property and do not want additional increase as we are retired now.
6	The rate system is unfair. Do not support an SRV. It will create hardship for residents, particularly pensioners. Allow subdivision of land. Council last year claimed to be 'Fit for the Future' but now proposing an SRV.
7	The rate system is unfair. Do not support an SRV. Allow subdivision of Oakville land or at least dual occupancy.
8	Oppose rate increase
9	An SRV will impact on our lifestyle and on families and pensioners. Do not support SRV.
10	The proposed SRV is unfair. It will create hardship for residents, particularly pensioners.
11	SRV should not be considered. The rate system is unfair.
12	The rate system is unfair. Do not support an SRV. Council last year claimed to be 'Fit for the Future' but now proposing an SRV. The Special Rate Increase should only be applied to properties that have not had a rate increase this year.
13	Strongly opposed to an SRV increase. The rate system is unfair. An SRV will cause hardship. It will impact on families and pensioners.
14	Suburbs like Oakville have received large rate increases already. It will impact on families and pensioners. The rate system is unfair. Council last year claimed to be 'Fit for the Future' but now proposing an SRV.
15	No to an SRV. Oakville have received a large rate increases already. Allow subdivision/rezoning of Oakville to fix roads and other infrastructure.
16	Strongly opposed to an SRV increase. The rate system is unfair. It will create hardship for residents, particularly pensioners. The rate increase does not reflect the services received. Council last year claimed to be 'Fit for the Future' but now proposing an SRV.
17	The rate system is unfair. It is creating hardship for Oakville residents, particularly pensioners. The rate increase does not reflect the services received. Council last year claimed to be 'Fit for the Future' but now proposing an SRV.
18	The rate system is unfair. It will create hardship for residents, particularly pensioners.
19	The rate system is unfairly democratic and unjust.
20	No SRV until our rates are normalised. The rate system is unfair. It will create hardship for residents, particularly pensioners.

ORDINARY MEETING

Meeting Date: 28 November 2017

No	Summary of Submission
21	The rate system is unfair. Council last year claimed to be 'Fit for the Future' but now proposing an SRV. Strongly opposed to an SRV increase.
22	The formula for calculating rates is unfair. Opposed to an SRV increase until rate distribution and formula are fixed.
23	The rate system is unfair. Do not proceed with an SRV.
24	The rate system is unfair. Oppose an SRV increase.
25	The rate system is unfair. We do not agree with valuing our land so high due to its proximity to the North West Growth Centre.
26	Reject proposed SRV increase. The rate increase does not reflect the services received. The rate system is unfair.
27	The rate system is unfair. It will create hardship for residents, particularly pensioners. Suspend SRV immediately.
28	The rate system is unfair. No SRV. It will create hardship for residents, particularly pensioners
29	Oppose unfair rate system and SRV.
30	The rate system is unfair. It will create hardship for Oakville residents, particularly pensioners. No SRV until rates are normalised/evenly distributed to all residents.
31	The rate system is unfair. Why the change in rates? It will create hardship for Oakville residents, particularly pensioners
32	Why an SRV when my rates have already increase dramatically in the last year? It will create hardship for Oakville residents, particularly pensioners. I strongly oppose SRV increase.
33	I strongly object to your SRV increase. It will cause me hardship. The system needs to be fairer.
34	Please consider the impact of the SRV on Oakville residents. It will cause hardship.
35	The rate increase of 180% in Oakville is unfair. It has created hardship for Oakville residents, particularly pensioners. No SRV until a fairer rate system.
36	No rate increase till council fixes up roads
37	Oppose SRV decision.
38	Objection to SRV. No 30% increase as already facing financial hardship to a significant rate increase last year. The system needs to be fairer. Rate should not be based on land values. When can we subdivide?
39	I object to the proposed SRV. The rate system is unfair and will bring hardship. Council said they were fit and are not so now should merge. No further rate on top of other recent rate hikes.
40	Concern at increase in rates
41	We are opposed to the SRV. The rate system is very unfair after we have been slugged by your rate redistribution and change of rates formula.
42	Received a 180% increase in rates and now want another 30% SRV increase. Council claimed they were fit for the future but are not. The rate system is unfair. It will create hardship for Oakville residents, particularly pensioners. No SRV. The rates we pay do not match the services we receive: stormwater, sewerage, streetlight, and upgrades of roads.
43	Disgust at recent rate rise. Why is the increase so severe? Please do not proceed with an SRV until other rates are reduced.
44	I support the Option 3 rate increase so that the community could be not just maintained but improved. The supporting document is very well thought out. Council to be congratulated.

No	Summary of Submission
45	I support Council's decision of Option 3 to tackle the problem of deteriorating assets. It is noticeable that support is greatest from those attending Town Meetings. Without (the SRV) services and assets will decline contrary to clearly expressed community wishes.
46	The recent rate increase is hard enough to budget for without an additional 30% SRV. It will create hardship for Oakville residents, particularly pensioners. Amend the rates before imposing an SRV.
47	We highly oppose the SRV increase. We were informed that increase is due to Valuer General's land valuation but Council have changed Oakville rating from Rural Residential to Residential. We are not allowed to subdivide or have a second dwelling to help. Oakville is funding the rest of the Hawkesbury. For these reasons we oppose the SRV increase.
48	The recent rates and changes of rates formula by Council is very unfair. It has created hardship for me. No SRV.
49	I oppose the proposed SRV. It is an unfair increase and unjust treatment by Hawkesbury Council.
50	Thanks to MP for attending Oakville Progress Association. Councillors last year claimed to be 'Fit for the Future' but now proposing an SRV, and misled residents. The rate system is unfair. Combined with huge State Land Tax it is too much for me. Rezone Oakville.
51	We strongly oppose SRV. Rating formula is unfair.
52	Oppose SRV rate increase. Changes rating formula is unfair. Councillors last year claimed to be 'Fit for the Future' but now proposing an SRV. Elderly people impacted.
53	SRV inequitable for Oakville, Pitt Town, Maraylya, and Windsor Downs. Will impact on pensioners. Find alternative measure to fix local roads.
54	No SRV until a fair rate model. Impact on older residents and their families. Not subsidise rest of Hawkesbury.
55	Strong alarm at rate increase. No SRV until rates are fair.
56	Seeking explanation for recent rate increase
57	This rate rise stinks. The recent rates and changes to rates formula by Council are unfair. Will impact on elderly and families.
58	Concern that residents of Oakville had a huge rate increase. Rate system is unfair. Why reduce rates for some is 'unfit'? Rate rise causing hardship on elderly and families in Oakville. No SRV until rate formula is fair.
59	Concern at recent rate increase
60	Attended two community meetings and support Option 3. Suggest not charging interest if rate payer face difficultly.
61	Object strongly to SRV Option 3.Any increase to recent rate rises is unacceptable. No pension rebate on recent increase?
62	Concern at recent rate increase
63	Strongly oppose SRV. Recent increase is unaffordable and unfair. It will impact on aged residents. Rate structure and formula is unfair. Council last year claimed to be 'Fit for the Future' but now proposing an SRV.
64	Disappointed about recent rates redistribution at Windsor Downs. Please consider our support for Option one and our age group (67).
65	Concern about SRV rate increase. Recent increase is unjustifiable and unfair. It will impact on aged residents. Rate structure and formula is unfair.
66	As an aged pensioner I would be disadvantaged if the SRV rate increased is introduced. Land value increase only of benefit if I sell and would require a change of lifestyle. An additional SRV would be unfair.

No	Summary of Submission
67	Strongly oppose SRV. Recent increase is unaffordable and unfair. It will impact on aged residents. Rate structure and formula is unfair. Council last year claimed to be 'Fit for the Future' but now proposing an SRV.
68	Letter is primarily about numerous spelling, grammar, and formatting of the Draft Supplementary Resourcing Strategy and the Draft Supplementary Delivery Program documents.
69	Concerned with recent and future rate increases. They will cause financial hardship.
70	NRDCAA support Council Application to IPART for Option 3. We ask if ratepayers have difficulties paying new rates for Option 3 that Council wave the interest payments.
71	Support Option 3 investment strategy. Comments regarding need to monitor distribution of notional yield, rating structure, affected Council policies, and interference by the State Treasurer, member for the Hawkesbury. Recommendation that Council formally write to the local MP regarding his comments.
72	We strongly object to the SRV proposal. Council's rating system is unjust, unfair and inequitable. Level of service, roads, no footpaths or kerb and gutter, do not match the rates we pay. There was no consultation with the community.
73	The recent rates review is unaffordable and unfair, with an increase in our area of 110% to 160%. It will impact on aged residents. Level of service, roads, no footpaths or kerb and gutter, do not match the rates we pay. Rate structure and formula is unfair. Council last year claimed to be 'Fit for the Future' but now proposing an SRV.
74	Including a petition of 634 residents, business and investment property owners opposing Option 2 and 3. People did not know what the SRV was, and had already had up to 180% increase in rates in 2017. Council's preferred Option 3 is invalid.
75	My rates have increased due to recent land revaluations. This is unfair because: my salary does not match increases, others areas rates have not increased, it doesn't match the services and infrastructure I receive, and it creates hardship for my family. Is this a ploy by councillors to appear 'fit' for the future?
76	Objection to SRV. My rates have increased by 25% to fund a district 80% rate drop. Elderly people are facing financial hardship to a significant rate increase last year. The system needs to be fairer. Rate should not be based on land values but on net taxable income. Get a fairer model before an SRV.
77	We had an astronomical rate rise this year and now a potential 30% increase. Oakville cannot carry this financial burden, raising our rates while decreasing other areas. Services we receive do not match the rates we pay. Take us back to previous rates before looking at any increases.
78	Oppose SRV increases. It is unfair and will hurt us and all property owners. We were advised that Hawkesbury was fit and sustainable, but is done with continuous rate increases. It does not match the services we receive. We ask for fair rates.
79	Change rates to a fairer and realistic structure. Some Hawkesbury citizens have received a 180% increase. This causes hardship for communities. Find other ways to raise the revenue required by council.
80	As a single person renting I appreciate the recent rate restructure drop proportional to the land values. I support SRV Option 3 to make improvements to the area where I live. Option 3 allows those on lower incomes to get some relief and equitable services are important to me.
81	Oppose an SRV rate increase. It is unfair and there is no equal rate distribution. It will create hardship. People cannot afford the current rate increases or an SRV. Get back to a fair rate model.
82	Concerns about the current rate restructure debate. We work hard and the recent rate reduction allowed us to get into a small 3 bedroom home. We are willing to pay our fair share of rates. Option 3 is the best way forward. Our family live here and we would have to leave if there was an unfair distribution of rates.

No	Summary of Submission
83	Disgusted that Council has decided to increase our rates and we oppose an SRV as it is unfair on Oakville. Our rates have doubled. It will create hardship. Council services do not match the services we receive. No SRV until a fair rate model.
84	Recent rates redistribution is worst mistake made in the history of the council. We seemingly mistakenly voted for Hawkesbury not to merge with The Hills Council Current rates have placed us in bad financial position - may be forced to move Council should not consider SRV in current climate
85	Recent rate increase is extremely unfair. Land value is overstated if Council does not plan to change zoning of my land. Selective development would reap ten times rate increase and be distributed more widely No added infrastructure to justify recent rate increase – roads need extensive repair.
86	Support Option 3 to address infrastructure backlog and finance best possible service outcomes. Will enable Council to be fit for the future and remain independent. Concerned that rate pegging and cost shifting may undermine financial gains but SRV is necessary.
87	Oppose Option 3 as it discriminates against owners of large areas of land. Burden of rates needs to be fairly distributed. Increase for some and discounts for many other is very biased and un-Australian.
88	Adopt Option 1 and reign in unnecessary costs to keep within budget.
89	Support Option but not strongly opposed to Option 3
90	Oppose any increase in rates. Rates have already doubled. Although there is development occurring nearby we have no benefit and cannot subdivide or build granny flat. Very few facilities and services in Oakville. Council needs to look closely at spending.
91	Supported Council's position not to merge as Council demonstrated ability to be Fit for the Future. Land valuation was then increased dramatically and rates have gone up to impose a genuine hardship. Recent redistribution of rates was not equitable, the Resourcing Strategy does not disclose any increase in services and facilities for Oakville. Understand Council has capability to redistribute rates – need to take appropriate action before considering SRV
92	Chose Option 2 in postal survey but had no idea rates would double. As pensioners finding it increasingly difficult to pay rates. Survey findings in Resourcing Strategy based on a small number of people – do the survey again.
93	Recent rates distribution is unfair. Has created enormous hardship for Oakville residents. SRV should not be considered until rates are normalised. As pensioners we do not have funds to pay increasing rates. Unfair that developers have pushed up land value but we are not allowed to subdivide. Last year Council said it didn't need to merge as it was fit for the future and now you want to impose a huge increase. Unfair that you increased rates by 180% in Oakville to fund a rate drop for 80% of the district.
94	Oppose SRV as rates have already increased this year and my rates are double that paid by ratepayers in urban areas. Hills Shire Rates are cheaper. Council vehemently opposed merger and said it was fit for the future – HCC has misled residents about the true facts. HCC is trying to shift blame for huge rate increases onto Valuer-General but altered formula for rates by reducing base charge from 50% to 30%. Current Council wastes money on unwanted political correctness should focus on areas within your control. HCC must address disparity in current rating system before thinking about SRV
95	Recent rates redistribution is unfair has created enormous hardship for Oakville residents. SRV should not be considered until rates have been normalised. Last year Council said it didn't need to merge as it was fit for the future and now you want to impose a huge increase. Unfair that you increased rates by 180% in Oakville to fund a rate drop for 80% of the district.
96	Object to any further rate increase. Oakville residents have suffered enough from the recent rates increase. Last year Council said it didn't need to merge as it was fit for the future and now you want to impose a huge increase. Recent rates redistribution is obviously unfair. SRV should not be considered until rates have been normalised.

ORDINARY MEETING

Meeting Date: 28 November 2017

No	Summary of Submission
97	Option 1
98	I would like to choose Option 1
99	Option 1 is best. Recent rates redistribution is unfair. Created hardship for Oakville residents. SRV should not be considered until rates have been normalised. Last year Council said it didn't need to merge as it was fit for the future and now you want to impose a huge increase. Unfair that you increased rates by 180% in Oakville to fund a rate drop for 80% of the district. I am in RU4 farmland zone and now I'm going to pay residential rates.
100	Object to SRV. My rates have increased by 108%. If HCC was Fit for the Future why do you require an SRV. I have been treated unfairly with changes in category and ad-valorem rate that discriminates on residents with VG increases. SRV cannot be considered in current climate of escalating power and health insurance costs. Have you considered effect on rental market and that reduced spending power will impact on local economy. Last year Council said it didn't need to merge as it was fit for the future and now you want to impose a huge increase. HCC voted Option 3 regardless of what ratepayers voted for. SRV should not be considered until rates have been normalised.
101	Rates have already increased by 180% to fund a small drop in rates for 80% of residents. Until rates are normalised across the district I oppose a further financial impost on the elderly and hard-working ratepayers of Oakville. We receive no benefit from exorbitant rates. I do not regard new chambers, art galleries and other frivolous costs as a benefit to our community. Council should be about roads, rubbish and parks. Recent rates redistribution is obviously unfair. Last year Councillors said it didn't need to merge as it was fit for the future and now you want to impose a huge increase. SRV should not be considered until rates have been normalised.
102	Recent rates redistribution is the worst rates mistake in the history of the Hawkesbury. My rates have increased by over 100% and has placed financial strain on our family.
103	Under no circumstances should an SRV be considered until rates have been normalised. Council amalgamation would have been far more beneficial to residents. Rates increase has greatly impacted on quality of our retirement. It amazes us that NSW Government classify 5 acre holdings as rural properties yet you rate us as a residential property. In our area we have no town water, kerb & gutter, sewage, street lighting, and out stormwater drains are not properly maintained. How can you substantially increase rates in some areas and drop 80% of the districts rates.
104	Recent rates redistribution, and changes to rates formula is obviously unfair. It has created enormous hardship. Under no circumstances should an SRV be considered until rates have been normalised
105	Do not support raising funds by a special rate rise when an unfair rate rise has been passed onto ratepayers. Rates should be paying for these types of infrastructure maintenance.
106	Under no circumstances should you go ahead with an SRV until you make the rates distribution fair again. As a result of you actions people will be forced to sell. The way you marketed your strategy meant that most people were not aware of your plans, your rates redistribution, what an SRV is or its impact and your sample is not representative of the district. Some people will get a net increase of 8% and some 220% - you created huge inequity when you said you would make rates fair.
107	I will choose Option 1
108	Having read the Draft Supplementary Resourcing Strategy, I believe that the rate increases applied this year (2017) are unfair and disadvantage those who do not have the financial means to sustain Council preferred option because Option 3 asks farmland ratepayers to fund the majority of your future strategy. I would recommend a fourth option – an option that does not disadvantage and disempower those who have asset (land size). You will force an increasingly ageing population out of their home. Option 3 is unfair, Option 4 is the way forward as a compromise to those who have objected and challenged Council's actions.

ORDINARY MEETING

Meeting Date: 28 November 2017

No	Summary of Submission
109	Under no circumstance should as SRV be considered until the rates have been normalised It has created enormous hardship for long term and the elderly rate payers
110	Earlier this year Council sent us a brochure that said we could choose different levels of SRV to improve Council services. We were taken aback when this year's rates increased from $2,400 to $4,400. We question whether the prospect of a 30% SRV on top of this fair. Information provided by the Oakville Progress Association showed that about 80% of Council residents has a reduction/negligible increase in rates nothing like the $2000 increase imposed on Oakville residents. There is no fairness in this situation and we feel we are being forced out. Rates need to be more fairly distributed, under no circumstances should an SRV be introduced.
111	Council has placed a server financial burden on the residents of Oakville. This situation discriminates against the rate payers of Oakville and Council should put into place a fairer system that shares all the costs across the district.
112	The socialist approach is plain wrong, we reject the wholesale increases of rates to hardworking people's homes. Option 2 and 3 are untenable
113	Reject options 2 and 3
114	We are opposing both Council's Option 2 and 3
115	The proposed SRV is unfair, particularly to our suburb, where our rates have doubled this year. Whilst our property values have increased substantially due to neighbouring suburbs (in different council areas), we do not have the extra value in our pockets unless we were to sell. All we are asking for is a fairer system where every household is paying a fair share.
116	We are opposing both Council's Option 2 & 3.
117	As a resident of the Hawkesbury I was shocked to receive my last land rates which had increased substantially. For what little I see being done with our rates the current cost of rates are unjustified. My preference is Option 1.
118	We object to an SRV increase. The rates are already taking a substantial part of my income. People who are either retired or have huge mortgages simply cannot afford such an increase.
119	SRV will result in unfair and inequitable rate increase to ratepayers especially in Oakville due to the current unfair rating structure. The Document does not present honest view of impact of SRV and the current rating structure – no mention is made of the disparity in rates between Oakville and other parts of the Hawkesbury. The inability of pensioners and self-funded retirees should be addressed in the document. Council implied that the SRV is only temporary yet the document states the rise in rates will become permanent. Council has been deceptive and until these issues are dealt with the SRV should be put on hold. Last year councillors declared that Council was fit for the future so there should be no need for an SRV. If there was a need for an SRV, why were council rates decreased for a large number of ratepayers at the expense of other rate payers.
120	The SRV should not go ahead until the housing rate distribution is fair again. The extreme increase in rates for some suburbs of the Hawkesbury comparative to others is unfair. I understand that rates must rise, based on land values, but the disparity is so disproportionate that questions must be raised on its justification. Please stop the SRV this issue is resolved.
121	We support the Draft Resourcing Strategy exhibited and applaud Councils 2017 decision to redress the previous 2013 rating decision that created inconsistencies for properties less than 2 hectares. We don't support any proposed changes to the base rate to accommodate those areas that have had an independent increase in their NSW Land Valuations. We fully support Option3 because it will give Hawkesbury City Council long term financial stability. We agree with the vision of keeping the amenity of the Hawkesbury and avoiding larger scale development preferring the approach of sensitive small scale development to preserve the rural and heritage values of the Hawkesbury.

ORDINARY MEETING

Meeting Date: 28 November 2017

No	Summary of Submission
122	SRV will result in unfair and inequitable rate increase to ratepayers especially in Oakville due to the current unfair rating structure. The Document does not present honest view of impact of SRV and the current rating structure – no mention is made of the disparity in rates between Oakville and other parts of the Hawkesbury. The inability of pensioners and self-funded retirees should be addressed in the document. Council implied that the SRV is only temporary yet the document states the rise in rates will become permanent. Council has been deceptive and until these issues are dealt with the SRV should be put on hold. Last year councillors declared that Council was fit for the future so there should be no need for an SRV. If there was a need for an SRV, why were council rates decreased for a large number of ratepayers at the expense of other rate payers.
123	I only received notification of Councils intention to request a SRV today, not from Council, but from another ratepayer. My rates have increased by 14.7%, I believe Council is seeking 9.5% over the IPART increases. This increase is outrageous and I strongly object to it. To say the least it is offensive in the extreme.
124	I oppose option 2 & 3
125	We totally support Option1 and totally oppose to Option 2 and Option 3. We have never seen such a kind of cumulative increase above the rate peg. This is not acceptable.
126	Object Option 2 and 3
127	The redistribution of rates has created a class structure for rates in the Hawkesbury – divisive and creating hardship for a few to pander to the many. Under no circumstances should an SRV be considered until the rates have been normalised. It is unfair to increase the rates in Oakville and other suburbs by up to 180% to fund a small rate drop for 80% of the district. I oppose the SRV and ask that Council consider postponing such an increase until rates are fair for everyone in the Hawkesbury.
128	I strongly object to the SRV proposal. The recent rate redistribution unfair and has created enormous hardship for long term rate payers. Under no circumstances should an SRV be considered until the rates have been normalised. Families cannot afford the current unfair 180% rates increase imposed by the council, let alone another 20-30%. Last year councillors said we didn't need to merge and we were fit for the future. Very unfair to increase the rates in Oakville and a few other suburbs by 180% to fund a rate drop for 80 % of the district. Under no circumstance should you consider an SRV until you get back to fair rate model.
129	I support Option 3 which would allow improvement of our assets and provision of new services. As a ratepayer in the Hawkesbury LGA, I see improvements in our assets and services as the only way we can move forward as a community and for the Hawkesbury to maximise its potential.
130	We strongly oppose and object to Option 2 and 3
131	We have recently been hit with a massage 180% increase in our rates and find this to be completely unfair and without merit. We are struggling to make ends meet as it is. Last year we were informed by council that we didn't need to merge with The Hills and that we were fit for the future. Now you are forcing only a few suburbs, including Oakville, to finance your 'viability' plans whilst giving 80% of the district a drop in rates so they won't feel the pain of the further 30% increase required. I am not totally opposed to an SRV as long as it is fair and reasonable and that the current rates hike is normalised and gets back to a fair model..
132	I am against any rate rise as my rates have increased 180% and has created hardship for us, when some rate payers received a decrease.

ORDINARY MEETING

Meeting Date: 28 November 2017

No	Summary of Submission
133	We are writing to express our dissatisfaction with Council's proposed SRV will be on top of a massive rate increase already introduced this year. The rate increase appear to be linked to increases in the VGs unimproved value of properties in Oakville and a change in council's rating formula that leverages the high property values. Not all Oakville properties are located within the growth sector area yet the VGs unimproved values for all properties have dramatically increased creating the current rate windfall for council. Many properties with increased unimproved values cannot be subdivided. Many residents are not currently enjoying the same standard of infrastructure provided for other residents in other suburbs in the Hawkesbury local government area. We believe the introduction of the proposed SRV at this time is wrong and unfair. It appears Oakville residents are effectively being asked to fund rate deductions for other suburbs in the Hawkesbury local government area. Council should review the rating formula to ensure a more equitable outcome for residents and that the SRV proposed is not introduced at this time.
134	Object to SRV. My rates have increased by 108%. If HCC was Fit for the Future why do you require an SRV. I have been treated unfairly with changes in category and ad-valorem rate that discriminates on residents with VG increases. SRV cannot be considered in current climate of escalating power and health insurance costs. Have you considered effect on rental market and that reduced spending power will impact on local economy. Last year Council said it didn't need to merge as it was fit for the future and now you want to impose a huge increase. HCC voted Option 3 regardless of what ratepayers voted for. SRV should not be considered until rates have been normalised
135	Dissatisfied with rating increases imposed on residents of the Eastern District of Council and reinforce my opposition to further SRV rating increase.
136	We were told we shouldn't merge with The Hills, this was a mistake as Council saw fir to increase rates in Windsor Downs to a level that will cause hardship. Under no circumstances should an SRV be considered until rates have been normalised.
137	I support Option 3 as it will allow Council to provide the necessary infrastructure and facilities to maintain and support our communities. WE get what we pay for. My annual Telstra bill is greater than the rates I pay to HCC - why would I not support an SRV!
138	Rates have more than doubled from 2016-2017 - there has been no increase to services and I am not in an approved subdivisional area. The recent rates redistribution is obviously unfair and has created enormous hardship. Under no circumstances should an SRV be considered until the rates have been normalised we cannot afford current unfair 180% rates increase imposed by the council, let along another 20-30%. Last year these councillors said we didn't need to merge and we were fit for future. It is unfair to increase the rates in Oakville by 180% to fund a rate drop for 80% of the district. You need to be realistic with the rates in this rural area.

AT - 4 Representations from Oakville Progress Association and Responses

Part A - Questions submitted to Council on 29 September 2017

1. *Mr Conroy, when the council did its modeling to consider changes to the rating formulas which Clr John Ross, and Clr Rasmussen told us in open council went on for many months with "meeting after meeting", it would have been clear that Oakville residents would be paying a huge increases due to land revaluations done one year early by the State Liberal government, and it would have been obvious to you this was unfair.*

   Was the council in possession of Data from the Valuer General which confirmed in advance that several thousand properties would have land values increase from 50% to 200%?

Response The Report prepared for the Ordinary Meeting of Council held on 31 January 2017 included modeling of the 4 different rating options considered by Council. The detailed modeling of Option 3 (identified by Council as its preferred rating alternative) incorporated the projected rating impact of the 2016 land revaluations completed by the NSW Valuer General.

The Council Report can be accessed from the following link: Item 17: Rating Strategy for the 2017/2018 Financial Year under 'Support Services' in the Table of Contents)

2. *You the council and in particular the Mayor have publicly positioned the rates changes as making it fairer for everyone in the Hawkesbury.*

   Fairness would mean equality and balance in the community in consideration of:

   - *Land Values*
   - *Income*
   - *Social demographics*
   - *Use of and access to services*

   Within your Purview, Council can exercise some control and create equality by changing simple parameters. Far from pursuing equality, you proceeded to

   A. Dissolve the Rural residential category,
   B. Change your rates Base Rate from 50% to 30%
   C. Increase the AV calculation from .13 to .177.

   The net effect was to maximise the increase in rates to Oakville from 100%-180% when you had the ability to decrease our rates. And as a direct result you were able to drop the rates significantly for 18,000 odd properties in this LGA. (This act alone seems highly questionable, and is put into perspective when you realise this action would minimise the effect of a SRV on those 18,000 properties)

a) *Why did council intentionally do this to Oakville please when you could have decreased our rates?*

Response Council reviewed its rating structure to address inconsistencies which had arisen following changes made to the rating structure which took effect from 2013/2014. The following explanation outlining the reasons for the review of the rating structure should be considered in conjunction with the data outlined in the table below.

Prior to 2012 all properties in the Residential rating category (including the rural residential sub-category) were treated the same for rating purposes. The total rates levied on all properties in the residential category (which included the rural residential subcategory) were linked to the proportional land value of these properties. Properties in the residential category accounted for just under 85% of the total land value across the Hawkesbury, and accordingly the notional rating yield for these properties was set at 85% of total rating income.

Table: Summary of changes to rating structure 2011 to 2017

2011//12 Rating Category	% of LGA Land Value	% of Notional Yield	base amount	ad valorem rate-in-the-dollar
Residential	84.4%	85.1%	$0	0.325064
Farmland	6.7%	5.1%	$0	0.243798
Business	8.8%	9.8%	$190	0.325064

2013/14 Rating Category	% of LGA Land Value	% of Notional Yield	base amount	ad valorem rate-in-the-dollar
Residential	56.71%	65%	$490	0.198048
Rural Residential	27.88%	20%	$650	0.124164
Farmland	6.63%	5%	$0	0.257728
Business	8.78%	10%	$904	0.199022

2017/18 Rating Category	% of LGA Land Value	% of Notional Yield	base amount	ad valorem rate-in-the-dollar
Residential	87.20%	85%	$340	0.172337
Farmland	5.92%	4%	$340	0.155103
Business	6.88%	11%	$340	0.344674

To collect the rating income based on the % of the notional yield, council calculates an *ad valorem* rate-in-the dollar amount (the total land value of all properties in the same rating category divided by the total proportional rating income to be collected under that rating category). The *ad valorem* rate-in-the dollar is then applied to the latest land value of each property provided by the NSW Valuer General to determine the rates to be paid by each property.

In 2012 Council amended its rating structure to treat rural and rural residential properties differently for rating purposes. A lower ad-valorem rate in the dollar was applied to properties in the rural residential sub-category. The intended purpose of the 2012 changes was to compensate rural properties for the relative distance of these properties from Council services and facilities. However in practice this objective was not achieved. The 2012 rating change actually increased rates for smaller properties (less than 2 hectares) in rural and outlying areas.

This occurred as under the NSW Local Government Act 1993, the rating sub-category of rural residential is not defined by the location of a property i.e. whether it is urban or rural, but by the size of the property (between 2 and 40 hectares). Consequently, residential (properties less than 2 hectares) and rural residential properties (more than 2 hectares) can exist side-by-side in the one location. There are rural residential properties in Windsor, Richmond and South Windsor and residential properties in St Albans, Bilpin, Bowen Mountain and most of the outlying rural areas of the Hawkesbury.

In effect the 2012 changes increased rates for smaller properties in both rural and urban areas to fund a decrease in rates for larger properties in the same areas. The 2012 changes saw an average increase of $118 for smaller residential properties across all areas of the Hawkesbury (less than 2 hectares) and an average decrease of $512 for larger residential properties in the same localities (between 2 and 40 hectares). The average decrease in Oakville was $638.

In considering these impacts, the current Council came to the view that the 2012 rating changes were inequitable. Their intended 'compensatory' impact on properties in rural and outlying areas was unevenly distributed and they increased rates for ratepayers with properties with relatively lower land values particularly in areas with higher levels of relative socio-economic disadvantage.

This occurred because the 2012 changes disrupted the nexus between notional yield and land value. As highlighted in Table 1 the changes that occurred between 2011/2012 and 2013/2014 meant that the 20% rating yield for properties in the rural residential sub-category (i.e. properties of between 2 and 40 hectares) was less that the proportional land value of these properties at 28%. Conversely, the remaining properties in the Residential category, which accounted for 57% of proportional land values across the Hawkesbury, contributed 65% of the total rating yield.

When taking into account the impact of the 2016 land revaluations, this imbalance in notional yield was intensified. Under the 2012 rating structure, rural residential properties would have accounted for 31% of total land values but only 20% of the rating yield, while conversely residential properties which accounted for 56% of land values would have generated 65% of the rating yield. These figures were highlighted in the 31 January 2017 Report to Council (Table 6 in the Report). Accordingly, Council changed the rating structure in 2017/2018 to reverse the inconsistencies that flowed from the 2012 changes to the rating structure. As was the case prior to 2012, properties in the residential rating category (including the rural residential sub-category), were once again treated the same for rating purposes).

The rural residential sub-category was re-incorporated into the overall residential rating category and the rating yield for the residential rating category was brought back into closer alignment with its proportional land value. These changes applied the same base amount and the same rate in the dollar *ad valorem* amount to all properties in all suburbs in the residential category in both rural and urban areas. Council also increased the proportional rating yield for the business rating category to enable the farmland ad-valorem rate in the dollar to be set at 90% of the residential ad-valorem rate.

The impact of these changes resulted in an average decrease of $97 for residential properties and an average increase of $405 for properties in the former rural residential sub-category. These changes partially, but not completely, offset the rating increases and decreases that occurred following the 2012 rating changes (where average residential rates increased by $118 and rural residential rates decreased by an average of $512).

The 2016 land revaluations particularly affected properties in areas adjoining the North West Growth Sector which experienced substantial increases in their land values. The relative increases and decreases that occurred in rates for individual properties were primarily a function of their assessed land value. Those properties with the largest increases in land values did see a considerable increase in their rates. The rating changes implemented by Council accounted for a small proportion of these increases - for the typical property in Oakville the rating changes, excluding the impact of the land revaluations, would have seen rates increase by $345.

The primary driver of the rating increase experienced by some property owners has been the relative land values of their properties. While the changes to Council's rating structure did contribute to these increases, they were only responsible for a small proportion of the increases. Changing the rating structure is therefore likely to only have a correspondingly small impact on rates. Nevertheless, Council has resolved to further discuss the rating structure, including the base rate, and is currently engaged in this process.

In terms of a consideration of land values, income and other socio-economic factors Council has recently completed an analysis of these variables in assessing the impacts of rating changes and proposed special rate increases on Hawkesbury households and in particular those suburbs with a high proportion of low-income households and higher levels of socio-economic disadvantage. This analysis has been included in draft supplementary documents, which are currently on public exhibition.

Council is seeking comment and submission from residents in relation to the information presented in the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021 and would welcome a submission from the Oakville Progress Association (the socio-economic analysis is covered on pages 38-46 in the draft document).

The draft supplementary documents can be accessed from the following link:

http://www.hawkesbury.nsw.gov.au/__data/assets/pdf_file/0011/100271/DRAFT-Supplementary-Resourcing-Strategy-incorporating-Draft-Supp-Delivery-Program-Exhibition.pdf

b) *Do you acknowledge that what you have done is unfair and a significantly worse mistake than any rates errors made by any previous councils and has resulted in the worst inequity in rates in the history of the Hawkesbury?*

Response As highlighted in the response to the previous question, the 2017/2018 rating structure applies the same base amount and the same rate in the dollar *ad valorem* amount equally to all properties in all suburbs within the Residential rating category.

The relative rating impacts on individual properties reflect differences in their Valuer General assessed land values. The ad valorem component of rating charges is based on the same rate-in-the-dollar amount. Properties with a higher land value, irrespective of their location, would generally pay a higher ad-valorem rating component compared with properties with relatively lower land values.

3. *As most residents have lived in this strip of Oakville for many years, are now elderly, not earning and can't subdivide for another 15 years, the rate increase cannot be justified either now or in the near future or until the land is about to be rezoned for further subdivision or development.*

Your actions will force older people to sell up just before they can realise large capital gains, so why did you do this now?

Response Council is requited to calculate annual rate charges based on the relevant provisions of the NSW Local Government Act 1993. Prospective subdivision is not a rating consideration covered under the Act. Council has applied the provisions of the Act in determining the rating structure and rating charges for 2017/2018.

The rating increases experienced by some property owners in Oakville and areas bordering the North West Growth Sector were primarily the result of the increase in land valuations for these properties as assessed by the NSW Valuer General.

The NSW Valuer General determines the timing of land revaluations. Council is required to apply the outcome of these revaluations based on the most current land valuations available. It is unable to defer the application of land revaluations to the calculation of rates.

4. *As Local government in the Hawkesbury, you have a responsibility to govern for everyone. You have devastated Oakville, a suburb representing 2.4% of the properties who you are now expecting to pay 8.7% of the rates for the Hawkesbury. This is patently unfair; as stated in Hawkesbury Residents & Ratepayers Association, no resident in the Hawkesbury has the ability to pay more rates than any other resident. Irrespective of the fact Oakville have some of the worst roads in the Hawkesbury, and have been waiting for basic services like mowing and tree trimming for 20 years.*

What steps are you taking as a group to redress your mistakes, and start treating Oakville fairly?

Response As highlighted in the response to previous questions, the 2017/2018 rating structure applies the same base amount and the same rate- in- the- dollar *ad valorem* amount equally to all properties in all suburbs within the residential category. For rating purposes, Oakville has been treated the same as all other areas in the Hawkesbury.

5. *It could be said that this council has inherited a broken system.*

When the people of Bowen Mountain were given an increase of 27% there was a huge public outcry, and those people have $1000-$2000 a year of their rates for a pump out service. They actually get services in return for their rates!

What services are you going to provide for Oakville please?

Response Council's primary responsibilities involve the management of community assets and facilities (roads, community buildings, parks, stormwater drains); waste management services; town planning; public order, health and safety; emergency services; and the provision of cultural, recreation, civic and community programs. These functions require the provision of a diverse range of services to the community which are documented in Council's annual Operational Plan.

These Council services are available to all residents irrespective of where they live, however Council recognises that distances from these services does impact on the day to day access that residents enjoy to these services. Council provides the same network of services and facilities to all areas within the Hawkesbury – it maintains local roads, bridges, local parks, and other community facilities across the Hawkesbury, it provides town planning, compliance and enforcement, companion animal services, community services, event sponsorship, graffiti removal, stormwater management and other services to all areas in the Hawkesbury, though the frequency of service provision may vary between areas.

Some facilities, such as the Library, Gallery and Museum, Regional Parks and District Sporting Fields are centrally located in town centres as their catchment populations are regional rather than local, however they are used by all residents which is reflected in the membership of these services and the sporting organisations that use these facilities (for example 43% of library members live in rural localities). Some civic infrastructure such as street lighting, kerb & guttering and footpaths are generally associated with urban areas, while other essential services such as sewer and pump out services , are provided on a fee for service basis and are not funded through ordinary rates. Other infrastructure such as rural fire service sheds, standpipes, and vehicular ferries are predominantly located in rural areas.

The rating income collected from residents (which in 2016/2017 accounted for 32% of Council's income) contributes to the cost of providing these services to all residents within the Hawkesbury.

6. *Given that some things are within the control of council, and some are State controlled, what is council doing within their control to rectify the grossly unfair way you have treated Oakville, and what is council doing to influence State leadership to make the necessary changes to provide a fair system, for all councils please?*

Are you working with other councils to make a representation to the state government to change the dependence on Land Value to determine rates?

Response In December 2015, the Premier of NSW requested the Independent Pricing and Regulatory Tribunal (IPART) undertake a review of the Local Government Rating System. As part of this review IPART released an Issues Paper and Draft Report and called for submissions.

In May 2016, Council, along with 174 other respondents, lodged submissions with IPART responding to the 23 issues identified by IPART for public comment and feedback. Council's submission included suggestions for increasing the equity of rating methodologies including a review of the basis for setting the ad valorem component of rates (i.e. that portion based on land value).

The Council Report on rating review the can be accessed from the following link: Item 87: Review of the Local Government Rating System under 'Support Services' in the Table of Contents). Council is awaiting the outcome of the rating review.

The NSW Local Government Act 1993 is state legislation and amendments to the Act would need to be considered and adjudicated on by the NSW Parliament. In this context, direct representations from residents to State parliamentarians would provide a powerful advocacy tool to address concerns of residents about the land valuation process and its rating impacts.

7. *Why were you so determined to provide a rate decrease to the greater Hawkesbury when it was within your ability to make the rates fairer for all, and the state government clearly told you our LGA rates had to go up by 30% or you would not be viable?*

Surely a rate decrease was completely unnecessary? We should ask this question again, why does an unviable council drop rates?

Response Council did not decrease its rating revenues in 2017/2018. The total revenue collected from ratepayers from year to year is determined by a rate peg amount set by the NSW Government (through IPART).

The rate peg sets the amount by which councils can increase the revenue they generate from rates from year to year. In 20017/2018 the rate peg amount was set at 1.5% which generated approximately $460,000 in additional rating income. Council collected this overall increase in rating revenue by applying the allowable rate peg increase to its rating base. The most recent land revaluations undertaken by the Valuer-General determined how the total rating collection for 2017/2018 was apportioned.

Percentage increases in the Valuer Generals land valuations for individual suburbs in the Hawkesbury varied from a fall of 15% to an increase of 206%, with the average increase across the Hawkesbury of 40%. As a result, assessed rates for individual properties increased or decreased relative to each other based on these different land values. These relative adjustments occur after each land valuation review by the Valuer General.

While rates did decrease for individual properties (due to a combination of changes to the rating structure together with the re-apportionment of rates based on changes in land values) Council did not 'forgo' any of the available rating revenue it was permitted to collect in 2017/18.

8. *We the residents of Oakville have lost all confidence in this council and the Mayor. 8.7% of your rate base now believe you are not fit to govern.*

As you have decided that as a council you don't intend to represent the best interests of Oakville, which suburbs are you going to represent please?

Response The Hawkesbury City Council area is an undivided council area with no wards. Councillors are elected to represent the whole Hawkesbury and not any individual suburb or locality.

9. *If the council is so bankrupt that you must increase the rates of one suburb to the point of forcing people to sell land some have owned some for 40 years, why not stop wasting our money on trivial things we don't want or need in the Hawkesbury.*

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We do not want a bicycle path to the Mayors Village at Kurrajong, we don't want or need Sister City programs, or support for the arts, we need safe roads.

Response Council undertakes extensive and ongoing consultation to identify the community's investment priorities and its works programs and services are aligned with these priorities. Council accepts that residents may have differing views about these relative priorities.

The (elected) Council considers and approves Council's Operational Plan including the annual budget and works program. As part of this process, Council takes into account identified community priorities, the financial and human resources required to maintain current service levels, and the funds required to undertake asset maintenance and renewal based on the technical condition data within Council's Asset Management System. These core requirements generally account for a substantial proportion of Council's expenditures. Council's budget processes provide the opportunity for residents to make submissions in relation to its draft annual budget and works program and Council welcomes community input into this process.

In 2017/2018, 40% ($20.3M) of Council's expenditure (excluding waste management) were allocated to roads and transport works. Roads account for the most substantial individual component of Council's expenditures – which reflects the priority the community has placed on Council maintaining a safe and well-maintained road network.

In relation to Council's financial position, Council's auditors have indicated that Council is currently in a sound and stable financial position, but that it is facing financial challenges in funding the full cost of maintain and renewing community assets.

10. *Our rate contribution from Oakville has moved as follows:*

2016-17 around $880,000
2017-18 to $1.8 million from our residents
As you are taking 1 Million dollars extra from Oakville residents now, what services are you giving us please?
When are you going to open and seal old Hawkesbury Rd. please?
When are you going to seal Brennan's dam Rd. please?
Is Old stock route Rd. ever going to join up with Pitt Town Dural Rd. or Cattai Rd?
What services are you giving us please?

Response As highlighted in the response to Question 7, Council's rating income for 2017/2018 increased in line with the 1.5% rate peg amount set by the NSW Government (through IPART) which generated approximately $460,000 in additional rating income. This revenue will be used to offset the increased operating cost of delivering the services outlined in the response to Question 5.

The Valuer Generals most recent land revaluations, determined how the total rates collection were apportioned. Areas with relatively higher land values generally experienced an overall increase in rates, however, the total rates collected across the Hawkesbury was capped in line with the rate peg.
The net increase in rates totalled approximately $460,000, as a result of the rate peg increase, and a smaller additional amount arising from an increase in rateable properties. As the rate peg increase was less than the increase in the Consumer Price Index, this net additional income did not provide Council with 'extra' capacity to increase spending on new works or services.

As part of its recent 'Investing in Your Future' consultations, Council has prepared district work programs to provide residents with a detailed program of works to be delivered under each of the three investment options presented to the community. The works program covering Oakville can be accessed from Councils website using the following link.

http://www.yourhawkesbury-yoursay.com.au/27535/documents/59409

Depending on the investment option, there are works programmed for Old Hawkesbury Road and Old Stock Route Road commencing in 2018/2019 with a value of $1.04M under Option 1 to $1.78M under Option 3. An outline of what each of the three investment options means is included in the works program document.

The upgrade of Brennans Dam Road will be considered in conjunction with planning for Stage 2 of The Vineyard Precinct as part of the NSW Government's North West Priority Growth Area

11. *Both sides of our Hawkesbury council have stated that they are aware Oakville has an 85% Liberal voting demographic, we didn't know that, but it seems very clear that you knew it.*

What part did this play in your decision as a group to target Oakville please? The Oakville progress association would ask you to please provide details about the political demographics of those areas receiving a rates decrease.

Response Both the 2016 local government elections and the 2015 NSW Government Election were conducted by the NSW Electoral Commission. The results of the 2016 local government election, by venue, can be obtained from the following link:

http://www.pastvtr.elections.nsw.gov.au/LGE2016/hawkesbury-city-council/councillor/pp_list.htm

The results of the most recent 2015 state election, by polling booth venue and vote count for the Hawkesbury Electorate can be obtained from the following link:

http://www.pastvtr.elections.nsw.gov.au/SGE2015/la/hawkesbury/cc/fp_summary/index.htm

The outcomes of the 2015 state election and the 2016 Council election were not matters that were considered as part of the modeling and subsequent decision making on the 2017/2018 rating changes (apart from the obvious point that as a group, the 12 Councilors elected at the 2016 local government elections determined the rating structure for 2017/2018) .

12. *If the Council proceeds with a 30% Special rates variance application in November, and the state goes forward with an FESL fire levy, some Oakville residents will go from $1800 to between $6,000-$9,000 P.A This equates to taking $60,000 per family from one suburb over the next 10 ten years. People will have to sell up, before their properties reach their real potential.*

How can you justify what you are doing to good people who have contributed so much to the Hawkesbury?

Response Since July 2016, Council has been engaged in an ongoing conversation with residents about the future of the Hawkesbury. As part of this consultative process Council has provided information to residents about the need and purpose of proposed special rate increase and has sought community feedback on these matters.

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To inform and progress these community conversations, Council prepared an information package which was sent to all ratepayers, conducted a telephone and on-line surveys, and held a series of information kiosks and town meeting across the Hawkesbury. More recently, Council has prepared supplementary documentation which is currently on public exhibition, outlining the outcome of these consultations as well as the impact of three investment options on long-term provision of Council services, the maintenance, renewal and upgrade of community assets, and Council's capacity to achieve the objectives of Hawkesbury Community Strategic Plan 2017-2036.

The documentation provides information on the factors consider by Council in developing the three investment options, and has been prepared to enable residents to come to their own determination as to whether Council's preferred investment option is reasonable . Council is seeking comment and submission from residents in relation to the information presented in the Draft Supplementary Resourcing Strategy 2017-2027 and the Draft Supplementary Delivery Program 2017-2021 and would welcome a submission from the Oakville Progress Association.

The draft supplementary documents can be accessed from the following link:

http://www.hawkesbury.nsw.gov.au/__data/assets/pdf_file/0011/100271/DRAFT-Supplementary-Resourcing-Strategy-incorporating-Draft-Supp-Delivery-Program-Exhibition.pdf

Information and queries about the Fire and Emergency Services Levy should be directed to the NSW Treasury through the following link:

https://www.treasury.nsw.gov.au/projects-initiatives/fire-and-emergency-services-levy

All income collected by Council through the Fire and Emergency Services Levy (FESL) was to be remitted to the NSW Government.

13. *Do we the citizens of Oakville now have our right to vote in council elections prorated to match our new rates weighting please?*

It seems fair that if we are paying 8.7% of the rates we will now exercise 8.7% of the vote, can you please confirm this?

Response The NSW Local Government Act 1993 sets out voting entitlements for local government elections. Section 266 of the Act stipulates that each elector is entitled to one vote. The relevant sections of the Act can be viewed from the following link:

http://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/nsw/consol_act/lga1993182/s266.html

14. *When you increased our rates to an unsustainable level, why didn't you change the covenants on our properties to allow us to use our land to generate income?*

Response The categorisation of land for rating purposes and the zoning of land for land use purposes are covered by separate pieces of legislation.

Rating categories and the levying of rates are covered by the NSW Local Government Act 1993. Land use planning is covered by the NSW Environmental Planning and Assessment Act 1979 and Local Environment Plans prepared in accordance with the provisions of this Act. Rating categories and land use zones are not interconnected and one does not determine the other.

The 2017/2018 rating changes did not change the rating categorisation of properties within the Hawkesbury. Properties categorised as residential (including the rural residential sub-category) for rating purposes, remained residential properties. All properties in the residential category were treated uniformly for rating purposes.

Similarly, the permitted uses for properties remain unchanged as determined by the land use zones within The Hawkesbury Local Environment Plan 2012. Land within Oakville (and other similar areas across the Hawkesbury) is primarily zoned as RU4 (Primary Production Small Lots) with a range of permitted uses which can be accessed from the following link:

https://www.legislation.nsw.gov.au/#/view/EPI/2012/470/partlanduseta/include3

Changing the zoning of land to allow for additional permitted uses (provided they do not conflict with the provisions of NSW Environmental Planning and Assessment Act 1979) would require a change to the Hawkesbury Local Environment Plan 2012 in accordance with the provision of the Act and would require community consultation and Ministerial approval. Any changes would then generally apply to all land within the Hawkesbury covered by the relevant land use zone.

At its Ordinary Meeting of 12 September 2017, Council resolved to investigate options to allow detached dual occupancy and secondary dwellings in Oakville and Maraylya in areas unaffected by flood evacuation issues. This investigation is currently being progressed.

15. You the council used our money to intensely fight off amalgamation with the Hills, a viable and professional council. We supported you on the basis of local representation.

Why didn't you tell us beforehand that the only way you could become viable or "fit for the future" would be to expect one suburb in this district to pay around $6000 per family

This would have changed the decision on whether to amalgamate.

Response The NSW Valuer General's updated 2016 land values were received by Council in early 2017, having been brought forward by one year as part of the implementation of the NSW Government's Fire and Emergency Services Levy. As outlined in the response to Question 2, the rating increases experienced by some property owners in Oakville and areas bordering the North West Growth Sector were primarily the result of the substantial increase land values as assessed by the NSW Valuer General.

The public inquiry into the amalgamation proposal commenced in December 2015 and concluded in February 2016 with Council advised of the outcome of the inquiry in May 2016. The public inquiry process therefore commenced and was completed prior to the release of the 2016 land valuations by the NSW Valuer General. Consequently, Council was not in a position to model the rating impacts of the 2016 land revaluations prior to the public inquiry into the amalgamation proposal.

However, in general terms, the proposal for special rate increase had been in the public domain since June 2015 when Council submitted its Fit for the Future Proposal to the NSW Government. The Proposal including provision for consultation with the community on investment options including the possibility of special rate increases. Council's June 2015 Fit for the Future Proposal can be accessed from the following link (the sections dealing with the proposed special rate increase are on pages 28 and 56-58 of the document):

https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/investigation-section-9-fit-for-the-future-proposal-hawkesbury-city-council/council_improvement_proposal.pdf

The investment options including the two options for special rate increases, which are currently the subject of further public consultation, remain largely unchanged from that which was presented in the June 2015, Fit for the Future Proposal.

16. *It seems clear this council is not viable, we feel ambushed as we were not notified of changes, and most people found out what you had done by reading rates notices, as none of us get the Courier in Oakville, it's not delivered.*

You performed letterbox drops to inform us of the Valuer General meeting which seemed to any sensible person a cynical exercise to obfuscate your culpability in your rates mistake.

Why didn't you inform us of the rates changes by letterbox drop?

Response The amended rating structure was approved by Council in June 2017, and was preceded by the required consultation and public exhibition period as set down in the NSW Local Government Act 1993. This has been the process followed by Council in previous years, including those years where land revaluations have occurred.

Council mailed-out information to areas most affected by the 2016 land valuation to advise residents of the Valuer General public meeting. These areas included Agnes Banks, Tennyson, McGraths Hill, Bligh Park, The Slopes, Hobartville, Cattai, Scheyville, Maraylya, Oakville, Windsor Downs, and Vineyard. It took these steps in response to concerns raised by some residents at the round of 'Investing in Your Future' town meeting during July and August 2017 to provide the opportunity for residents to speak directly with representatives from the NSW Valuer General.

Council has recognised that creating more opportunities for residents to access information about Council operations and issues would improve its communication with residents. To this end it is currently in the process of implementing a digital communication strategy to enhance its on-line presence and the distribution of information to residents. Council is also planning to undertake annual town meetings across the Hawkesbury to report on its activities and future programs and to provide a forum for residents to ask question and raise issues and concerns.

17. *On the topic of the Valuer General:*

A. *Have all suburbs in the Hawkesbury been revalued please?*
B. *What restrictions were placed on access to or independent analysis of the data from the Valuer General when you did your rate modeling please?*
C. *It seems reasonable that all residents would accept a small increase in rates, as land values have surely improved, have you approached the state government what changes have you asked for at a state level , like pegging land valuations, or staged increases?*
D. *It also seems that if you as a council were striving for a fair system, you comprehensively failed, which is OK if you fix it, by changing things within your power, and lobbying for changes external to the LGA.*

If only one or two suburbs were revalued or doubled in value, would you not consider using the mechanisms available to you as council to minimise the net effect and deliver a fairer outcome to all suburbs until this is resolved for the best outcomes in the LGA ?

Response The NSW Valuer General land revaluation process covered all areas in NSW. The presentation made by representatives of the NSW Valuer General at the public meeting held on 30 August 2017 outlined the methodology and approach underpinning the land valuation process.

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Council received the revised valuations in early 2017, and as outlined in the response to Question 1, applied them to the 4 different rating options that were reported to Council on 31 January 2017. As noted earlier , Council has made submissions in response to the local government rating review commissioned by the NSW Government and is currently awaiting the outcome of the review .

There are currently limited mechanisms under the NSW Local Government Act 1993 for councils to 'smooth out' the impact of substantial changes in land values as determined by the NSW Valuer General. The primary driver of the rating increase experienced by some property owners has been the relative land values of their properties. While the changes to Council's rating structure did contribute these increases, they were only responsible for a small proportion of the increases. Changing the rating structure is therefore likely to only have a correspondingly small impact on rates.

Council has resolved to further discuss the rating structure, including the base rate, and is currently engaged in this process.

18. Special Rate Variation

On the Subject of the SRV, Mr Ford presented to the Oakville Progress association on Wednesday 23rd August, and one of the things he told us was that the State Government approached the council and told you that as a council you were not viable. You had the option of merging with the Hills a viable council, or increasing your rates by 30%.

This has been confirmed independently by several current councillors. Over recent years ANY increase in rates was vigorously opposed by Mayor Lyons-Buckett, and the councillors, and you prevented the previous council from increasing rates. This is a matter of public record, you stood in the way of what you now want us to believe is good government. Yet as soon as you took over this Government, this is what you did.

It looks like you prevented the previous council from acting in the interest of the community. If the SRV is necessary, by proposing it now you are asking the community to accept a position regularly put by the previous government and opposed by the current mayor and councillors. It seems that the previous government had it right, and your previous position on rates increases was wrong and disruptive, and a rates increase is needed for good government. Is that correct?

The way you recently marketed the Special Rates increase, was to redistribute the rates in the district prior to asking the community to accept an SRV. So, many people received a rates decrease just prior to you proposing your SRV. You proposed this in terms of small increases necessary to provide services to the district and create stability in government.

What you failed to inform the community was that in order for 18,000 odd residents to have a minimal impact of an SRV, you were going to redistribute the rates first, so that the majority of the District would get a rate drop, followed by a small increase, and a few suburbs, Oakville, Pitt town, Maraylya, parts of Cattai would have massive increases imposed on them to fund this SRV.

Of course, the majority of the Hawkesbury community would accept an SRV on those terms, without knowing what you did to the elderly people in Oakville. Why didn't you honestly tell the community what you had done, and the historical inequity you created to achieve a YES for the SRV?

Response The role of Council staff in relation to Special Rate Variations (SRV) was to prepare advice and reports for Council's consideration in relation to Council's long-term financial position and options for securing its financial sustainability. Whether or not Council resolves to proceed with a special rate application will be a decision of the elected council, following the completion of the processes outlined in guidelines prepared by the Independent Pricing and Regulatory Tribunal for the preparation of a SRV application. This is the process that has been followed in relation to the special rate increases that have been the subject of the most recent community consultations.

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The preparatory work for the proposed special rate increases commenced in the term of the previous Council. As outlined in the response to Question 15, the proposal for special rate increases was included in Council's Fit for the Future Proposal submitted in June 2015. The implementation of the Council's Fit for the Future Proposal was subsequently put on hold pending the resolution of the amalgamation proposal, which was finalised in May 2016.

In July 2016, the previous Council endorsed a staged community engagement strategy to canvass with residents their level of satisfaction with current service levels, their priorities for future investment and their preferred resourcing options for funding the asset renewal shortfall. This strategy was consistent with IPART requirements for the possible consideration of an SRV.

Stage 1 of this strategy was implemented from July to August 2016, with the outcomes reported to the newly elected Council in October 2016. Council subsequently resolved to continue with the implementation of the remaining stages of the community engagement strategy which commenced during the term of the previous Council. These further stages were undertaken in February/March 2017 and July/August 2017 and the outcomes reported to Council in September 2017 at which time Council identified a preferred investment option.

As noted in the response to Question 12, Council has prepared additional documentation for further community consultation and is currently seeking comments from residents about this preferred option. The outcomes of the public exhibition of these documents will be reported to Council in late November 2017 to enable Council to determine its final position in relation to a possible SRV application.

In relation to the rating changes that commenced on 1 July 2017, the reasons for Council proceeding down this path were summarised in the response to Question 2. The primary purpose was to apply the same *base* rate and the same *ad valorem* rate-in-the dollar to all properties in all suburbs in the same rating category.

The relative increases and decreases that occurred in rates for individual properties were primarily a function of their assessed land value. Those properties with the largest increases in land values did see a considerable increase in their rates. The rating changes implemented by Council accounted for a small proportion of these increases - for the typical property in Oakville the rating changes, excluding the impact of the land revaluations, would have seen rates increase by $345.

19. And the question arises again, you are proposing an SRV to deliver services, funded for the whole LGA by Oakville, Pitt Town, Maraylya, what services are you proposing for Oakville, you have never told us at any stage what you will deliver, but have already taken an additional 1 million dollars from us before the SRV kicks in.

We have always paid higher rates than most, and we have waited 25 years for basic services which have not been delivered, and now you ask us to pay up to Triple our rates from last year on the pretext of more services. Please tell us what they are? We don't know how you will implement the SRV.

It seems that a 30% SRV on the 18,000 odd residents who received a rate drop will be a small number in the order of $400, but for those residents whose rates you increased to $3800-$5000 it will be a big number in the order of $1200-$1500 on top of our current unfair rates bill. Is that true please?

Response Should Council resolve to proceed with an SRV application, and if subsequently approved by IPART, any special rate increase will be applied equally to all rateable properties within the Hawkesbury.

While the rates for all properties will increase by the same percentage, it would be the case that the dollar increase for properties will vary depending on their current assessed rates based on relative land values. The actual dollar increase for properties with lower land values and lower rates will be less than for those properties with relatively higher land values and higher rates.

Part B - Additional Questions received from Oakville Progress Association on 10 November 2017 in conjunction with tabled petition.

1. *A representation of 2.3% of the population had submitted their Option 1, 2 or 3 via the 4 survey means. Those choosing Option 2 cannot be considered or part of Option 3 per page V of the report as this was not an Option presented at any of the meetings, this was a Council report that chose to combine Options 2 and 3. Equally those choosing Option 2 could also be included as Option 1 if no clear direction was given therefore a clear mandate for Option 1 could also be made as an assumption but not represented in the report or accounted for.*

Response Page v of the Draft Supplementary Resourcing Strategy does not conflate responses to Option 2 and Option 3 – the responses for each Option are separately recorded. It does however make the simple observation that the majority of residents supported a special rate option (either Option 2 or Option 3).

2. *It was evident at the town meetings that some people were attending multiple meetings and had the opportunity to vote several times. There was no control in place to stop multiple attempts to vote at these town meetings. It was poorly executed and not reliable.*

Response Attendance sheets for the 10 town meetings were signed by 380 persons. Of this number 11 persons were recorded as attending two meetings, one person attended three meetings and one person attended six meetings – 13 people in total (3.4% of recorded attendances).

Apart from the person who attended six town meetings, persons attending multiple meetings involved people attending two of the Windsor, Pitt Town and/or Maraylya town meetings.

Council staff did monitor the casting of the 'straw poll' votes and would have been aware of any irregularities. Fortunately, the town meeting attendees were respectful of the voting process and observed the appropriate protocol. Council staff were aware of the identity of the person who attended six meetings and clearly advised them that they were entitled to one 'vote' only.

3. *At several of the town meetings residents departed prior to voting taking place therefore did not cast their vote. The Meetings were badly run, and people were not aware of the vote. No attempt was given to request these people submit votes prior to departure.*

Response Generally Council received positive feedback as to the content and format of the town meetings. The agenda for the meetings was outlined at the commencement of proceedings. Attendees were advised that following the presentation of information by Council staff, there would be a simple exercise where they would be asked, after considering the information presented to them, to identify their preferred resourcing strategy option.

Issues did arise at three of the town meetings – Windsor, Pitt Town and Maraylya - where the agenda was varied to accommodate requests to deal with rating questions associated with land valuations and changes to the rating structures. These discussions were robust and intense. At times Council staff and some attendees were required to intervene to seek the co-operation of participants so that questions could be responded to and issues discussed in an orderly way.

At the conclusion of the rating discussions, residents were encouraged to stay to participate in the remainder of proceedings, including the preferred option exercise. The meeting was structured to provide participants with information to enable them to make an informed decision as to their preferred option. In this sense, there was no capacity for residents to vote prior to the presentation of the information which outlined in detail each of the three resourcing options, their impact on services and rates, and the scope of works to be delivered under each option. A number of residents chose to leave prior to completion of these proceedings.

4. *Is 2.3% of potential respondents statistically valid? With the vote split as follows:*

Option 1 – 34%
Option 2 – 32%
Option 3 – 34%

It would appear that neither of the options have a conclusive or overwhelming majority of votes in its own right.

Response The engagement strategy implemented by Council provided the opportunity for all residents to identify their preferred resourcing option by either a postal ballot, an on-line survey, or through the straw poll conducted at the conclusion of each town meeting. These engagement platforms were additional to the statistically valid telephone survey carried out on Council's behalf by an independent research company.

The sample size for the telephone survey was 401 respondents. The selected survey sample reflected the demographic profile of the Hawkesbury (age, gender, employment status, location and length of residency). The survey had a margin of error of ± 4.9% which meant that if the survey was replicated with a different survey sample of 401 residents, 19 times out of 20 the same result would be achieved plus or minus 4.9%.

Based on the outcome of the telephone survey, within the Hawkesbury community support for Option 1 would vary from 38.1% to 47.9% while support for a special rate option would vary from 52.1% to 61.9%. As the telephone survey is statistically valid, some confidence can be applied to the overall outcome which showed that a majority of residents supported a special rate option (either Option 2 or Option 3).

Council acknowledges that while the other engagement platforms (the postal ballot, on-line survey and town meeting straw poll) are not statistically valid, they did demonstrate that the more informed residents were about Council's financial position and the purpose of the proposed special rates, the greater their level of support for a special rate option and Option 3 in particular.

5. *To assume it is acceptable to put some rates up by 180% and drop others pre SRV is unprofessional, when most of this council stood on a platform of making rates fair.*

Response Council is requited to calculate annual rate charges based on the relevant provisions of the NSW Local Government Act 1993. Under the *Act* rates can be made up of two components – an *ad valorem* amount based on land value and a base amount applied equally to all properties in the same rating category. The base amount cannot exceed 50% of the total rates collected from all rateable properties.

The total revenue collected from ratepayers from year to year is determined by a rate peg amount set by the NSW Government (through IPART). In 20017/2018 the rate peg amount was set at 1.5% which generated approximately $460,000 in additional rating income. Council collected this overall increase in rating revenue by applying the allowable rate peg increase to its rating base. The most recent land revaluations undertaken by the Valuer-General determined how the total rating collection for 2017/2018 was apportioned.

Percentage increases in the Valuer Generals land valuations for individual suburbs in the Hawkesbury varied from a fall of 15% to an increase of 206%, with the average increase across the Hawkesbury of 40%. As a result, assessed rates for individual properties increased or decreased relative to each other based on these different land values. These relative adjustments occur after each land valuation review by the NSW Valuer General.

The rating increases experienced by some property owners in Oakville and areas bordering the North West Growth Sector were primarily the result of the increase in land valuations for these properties as assessed by the NSW Valuer General. The NSW Valuer General determines the timing of land revaluations. Council is required to apply the outcome of these revaluations based on the most current land valuations available. It is unable to defer the application of land revaluations to the calculation of rates.

There are currently limited mechanisms under the *NSW Local Government Act 1993* for councils to 'smooth out' the impact of substantial changes in land values as determined by the NSW Valuer General. The primary driver of the rating increase experienced by some property owners has been the relative land values of their properties. While the changes to Council's rating structure did contribute these increases, they were only responsible for a small proportion of the increase - for the typical property in Oakville the rating changes, excluding the impact of the land revaluations, would have seen rates increase by $345.

6. We would respectfully suggest you postpone the SRV until you can fairly say it is representative of the wishes of the majority of people in the district, not just a tiny sample of the population.

Response Council has been implemented a comprehensive community engagement program over the past 16 months commencing in July 2016. This community engagement program has incorporated the range of engagement platforms and information elements identified by the Independent Pricing and Regulatory Tribunal (IPART) in their Guidelines for the Preparation of an Application for a Special Rate Increase.

Council has provided residents with the opportunity to participate in a range of engagement activities and has provided residents with detailed information about the special rate proposals. Council has recorded resident views and has responded to issues and questions raised by residents. As noted in the response to a previous question, a statistically valid survey has indicated that the majority of residents support a special rate option.

oooO END OF REPORT Oooo