



Upper Hunter Shire Council

Special Variation Application 2025-26

# Final Report

May 2025

Local Government »

## Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

## Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair

Dr Darryl Biggar

Jonathan Coppel

Sharon Henrick

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

Daniel Suh (02) 9019 1975

Emma Chen (02) 9290 8422

## The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).



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# 1 Executive summary

Upper Hunter Shire Council applied to IPART to permanently increase its general income by 33.10% over 3 years from 2025-26 to 2027-28 (inclusive).

We approved the application.

Upper Hunter Shire Council (the council) applied to IPART<sup>a</sup> to increase its general income through a permanent special variation (SV) of 33.10% over 3 years from 2025-26 to 2027-28 (inclusive). This included increases of 10% per year.<sup>1</sup>

The council told us that it intends to apply this increase across all rating categories.

Table 1.1 Increase in general income under Upper Hunter Shire Council's SV application

	2025-26	2026-27	2027-28
Annual increase (%)	10.00	10.00	10.00
Cumulative increase (%)		21.00	33.10
Additional annual income (\$'000)	1,297.5	1,427.3	1,570.0

The council advised us it sought to:<sup>2</sup>

- achieve a fully funded operating position
- maintain sufficient cash reserves
- maintain its asset base so it is 'fit for purpose'
- have an appropriately funded capital program.

<sup>a</sup> On 6 September 2010, the (then) Minister for Local Government delegated to IPART all functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the *Local Government Act 1993* (NSW), including the power to grant SVs.

## 1.1 IPART's decision

We approved the council's SV application in full, as set out in Table 1.1.

Our reasons for this decision are outlined in section 1.2.

Table 1.2 Maximum increase in general income under our decision

	2025-26	2026-27	2027-28
Annual increase (%)	10.00	10.00	10.00
Cumulative increase (%)		21.00	33.10
Additional annual income (\$'000)	1,297.5	1,427.3	1,570.0



Our approval is subject to certain conditions, including that the council:

- uses the additional income for the purpose outlined in its application
- reports in its annual report for 2025-26 until 2032-33 the actual program of expenditure funded by the additional income and the outcomes achieved.

The full conditions are set out in Chapter 10.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Upper Hunter Shire Council for 2025-26* gives legal effect to this decision and sets out the conditions of approval.

## 1.2 IPART's assessment of the council's application

To make our decision, we assessed the council's SV application and supporting materials against the 6 criteria set by the Office of Local Government (OLG) in its [Guidelines for the preparation of an application for an SV to general income](#) (OLG Guidelines). We found the council met 5 of these 6 criteria.

Currently, the council's operating expenses exceed its revenue, and without the SV, this gap would continue to worsen over the next 10 years. This is unsustainable if the council is to successfully deliver the services and infrastructure in its adopted plans.

The council satisfactorily consulted its community and provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods and provided sufficient opportunities for the community to provide feedback. Some stakeholders told us that the council's community consultation has lacked transparency. Although there were some shortcomings in the way the council considered feedback from its community, overall we considered that the council made its community aware of the proposed SV.

We acknowledge that many stakeholders told us that the proposed rate increase is likely to create affordability challenges, particularly with the current cost-of-living pressures. Our analysis found that with the SV, the council's average residential and business rates would generally be in line or lower than the averages for comparable councils based on locality, SEIFA rank and OLG group.

Our analysis of the council's indicators found that the community generally has less socio-economic disadvantage than communities in comparable council areas. This is reflected in the higher median household income, and lower ratio of average residential rates to household income and a smaller proportion of the population receiving government assistance. Although we found the council has a higher outstanding rates and annual charges ratio relative to comparable councils, it has a separate rating structure for certain localities which roughly corresponds to the locality's level of disadvantage. The most disadvantaged localities also generally have lower land values resulting in lower rates.

The council demonstrated it has delivered productivity improvements and put in place cost containment strategies in the past. We also found that the council has taken steps to ensure continuous improvement of processes which will contribute to future productivity initiatives and cost savings. However, we consider the council could have more adequately quantified and described its expected future improvements.



We found that the council has not fully complied with conditions attached to past SVs. This is important, as compliance with these conditions is integral to the SV process. It allows the council to be held accountable for the commitments it made to its community when it decided to apply for the SV and provides ratepayers confidence in their council.




The OLG is the body responsible for enforcing compliance with the conditions attached to SVs. The IPART Chair has written to the OLG identifying the council's failures to comply with past SV conditions. We will also consider this matter in assessing any future SV applications it makes.

We have attached reporting conditions to our approval of this SV and we expect the council to fully comply.

Our assessment against each criterion is summarised below. Chapters 4 – 9 provide our complete assessment, and the full criteria are set out in [Appendix A](#).

Figure 1.1 Summary of our assessment against the OLG criteria

Criteria	Grading	Assessment
01	 Demonstrated	<b>Financial need</b>  The council demonstrated a financial need for the SV to address its financial sustainability (including addressing its operating deficit and achieving sufficient cash reserves), maintaining an adequate asset base and having an appropriately funded capital program.
02	 Demonstrated	<b>Community awareness</b>  The council satisfactorily engaged with and consulted its community. It provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods but could have done more to consider community feedback.

Criteria	Grading	Assessment
03	 Demonstrated	<b>Reasonable impact on ratepayers</b>  The council demonstrated that the impact on ratepayers is generally reasonable. With the SV, its average residential and business rates would be lower or in line with the averages for comparable councils based on locality and OLG group. The council has subcategories of residential and business rates for different localities which roughly correspond to the locality's level of disadvantage.
04	 Demonstrated	<b>Integrated Planning and Reporting documentation</b>  The council exhibited and adopted all necessary Integrated Planning and Reporting (IP&R) documents before submitting its SV application.
05	 Demonstrated	<b>Productivity improvement and cost containment</b>  On balance, the council outlined that its past productivity improvement and cost containment initiatives have resulted in savings and additional revenue benefits of approximately \$0.95 million per year in financial benefits. <sup>3</sup> Although we found that the LTFP could have more clearly described and quantified its future efficiency strategies over the term of the SV, we found that the continuous improvement frameworks which they have incorporated, sufficiently meet the criterion for future productivity and cost containment performance.
06		<b>Other matters IPART considers relevant</b>  The council failed to comply with the conditions attached to SVs it was granted in the past 10 years. It had one Additional Special Variation (ASV) of 2.28% in 2022-23. <sup>4</sup> It did not report on this in its 2022-23 annual report. <sup>5</sup>

### 1.3 Stakeholders' feedback

Councils are required to consult with their communities as part of the Integrated Planning and Reporting (IP&R) framework. The OLG criteria that we assess SV applications against requires us to look at this consultation as part of our assessment.

Upper Hunter Shire Council consulted on its proposed SV with its community using a variety of engagement methods. The council received 60 written submissions, recorded 176 survey responses, held public meetings attended by 27 participants, and published website content that had 718 visitors.<sup>6</sup>

The council has 7,733 rateable properties.

As a further input to our assessment, we published the council's application on our website for a 4-week consultation period and invited stakeholders to provide feedback directly to IPART.

Through this process, we received 552 responses to our feedback form and 37 submissions from stakeholders on Upper Hunter Shire Council's proposed SV. These submissions and responses raised concerns about the:

- affordability of proposed rate increases
- council's past financial mismanagement
- current level of services and infrastructure, in particular rural roads



- council's consultation with the community, mainly not having a 'No SV' option in the council survey
- willingness to pay.

We consider stakeholder feedback in more detail in [Chapter 3](#) and throughout this report as relevant to our assessment.





## 1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income over the 3 years from 2025-26 to 2027-28 (inclusive). The council can defer rate increases up to this maximum amount for up to 10 years.<sup>7</sup>

The council has proposed to increase rates as set out in Table 1.3. Subject to the council's final decision on increasing rates in line with the approved special variation, we understand average rates will increase by 33.10% by 2027-28. It retains the discretion to revise how it raises its general income across the rating categories. We encourage the council to consult with its community to decide how best to implement the increase and any changes to the rating structure.

We expect the council to continue to pursue productivity improvements to minimise costs to ratepayers and ensure its financial stability over the long term.

Table 1.3 Average rates increases under the approved SV

	2025-26	2026-27	2027-28	Cumulative increase
 <b>Residential</b>	10.00%	10.00%	10.00%	33.10%
 <b>Business</b>	10.00%	10.00%	10.00%	33.10%
 <b>Farmland</b>	10.00%	10.00%	10.00%	33.10%
 <b>Mining</b>	10.00%	10.00%	10.00%	33.10%

Note: These figures may have been rounded in calculation. These are the council's proposed increases but it retains the discretion to determine the structure of its rates.

Source: IPART calculations.

The rest of this report explains how and why we reached our decision on Upper Hunter Shire Council's special variation application in more detail.

## 2 The council's special variation application

This section of our report sets out the council's proposal and summarises the information that the council provided to support its application. The full application and all non-confidential supporting documents are available on our [website](#).

The council applied for a multi-year SV with a cumulative increase of 33.10% over the 3 years from 2025-26 to 2027-28. Table 2.1 sets out the percentage by which the council proposed to increase its general income and the expected annual revenue this would raise.

Table 2.1 Proposed SV

	2025-26	2026-27	2027-28
Annual increase (%)	10.00	10.00	10.00
Cumulative increase		21.00	33.10
Additional annual income	1,297.5	1,427.3	1,570.0

Source: Upper Hunter Shire Council Application Part A, WS 2 and WS 6

The council proposed a permanent SV. This means, if approved, the increases would remain in the rates base permanently. The council's general income would not be reduced at the end of 2027-28.

The council advised us it sought to:<sup>8</sup>

- achieve a fully funded operating position
- maintain sufficient cash reserves
- maintain its asset base so it is 'fit for purpose'
- have an appropriately funded capital program.

### 2.1 Impact of the proposed special variation on ratepayers

The council proposed that rates would increase for all categories over the 3 years the SV is in place.<sup>9</sup> It proposed that, on average:

- **Residential rates** by 2027-28 will increase by \$323 or 33.10%
- **Business rates** by 2027-28 will increase by \$395 or 33.10%
- **Farmland rates** by 2027-28 will increase by \$1,380 or 33.10%
- **Mining rates** by 2027-28 will increase by \$47,522 or 33.10%.

The council provided the number of rates notices that it expects to issue for 2025-26. See Table 2.2.

Table 2.2 Number of rates notices per category in 2025-26

Ratepayer category	Number of rate notices
Residential	5,389
Business	737
Farmland	1,606
Mining	1
<b>Total</b>	<b>7,733</b>

Source: Upper Hunter Shire Council, Part A application Worksheet 4.

## 2.2 The council's assessment of affordability and capacity to pay

The council assessed the affordability of its proposed rates increases, including the community's capacity to pay.

The council's analysis considered the SV's impact on households relative to household income and household rental amounts in 2021.<sup>10</sup> The council also compared the average annual rates by category with other neighbouring councils.

It found that the average rate increase on the typical residential household by the final year of the SV in 2027-28 will be approximately \$323 or \$6.21 per week, which is approximately 0.43% of the median weekly household income of \$1,429.<sup>11</sup>

Furthermore, the council also found that the majority of rents in the Upper Hunter LGA are between \$150 per week and \$550 per week with a median amount of approximately \$225 per week. The additional rate increases above the rate peg of \$4 per week by the final year of the SV, if fully passed on from the landlord to the tenant, will result in a 1.8% increase in rent in the final year. Over 80% of tenants will be impacted by an increase of less than 2.3%.<sup>12</sup> Based on this, the council concludes that the community has the capacity to pay for the SV.

The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates. The policy allows council personnel to reduce, waive or write off rates, fees, annual charges and interest accrued on such debts under relevant hardship criteria.<sup>13</sup>

## 2.3 Impact of the proposed SV on the council's general income

The council estimated its proposed SV, a total cumulative increase of 33.10% across 3 years, would increase its permissible general income from \$13.0 million to \$17.3 million by 2027-28, which would remain permanently in the rates base.<sup>14</sup>

## 2.4 Further information provided

Following our preliminary assessment of the council's application, we asked the council to provide further clarification on:

- the reconciliation of operating results from continuing operations in the Long Term Financial Plan (LTFP) and General Purpose Financial Statement
- missing figures for growth in employee numbers, growth in assessment numbers and planned operating cost savings in Part A of its application
- missing figures for investment – end of the year, total internal restriction, investment – end of year and total internal restriction in Part A of its application
- discrepancies in the cash & cash equivalents forecast provided in Part A of its application
- discrepancies between the LTFP and Part A of its application for cash and cash equivalents, net operating result before capital grants & contributions and net operating result before capital grants & contributions
- an incorrect hyperlink to the LTFP provided in Part B of its application.

The council provided correspondence to sufficiently clarify the items above. We considered this additional information in our assessment.

## 3 Stakeholders' feedback to IPART

We expect the council to engage with its community so that ratepayers are fully aware of any proposed special variation and the full impact on them. This is one of the criteria we use to assess the council's application (see [chapter 5](#) for our assessment and [Appendix A](#) for the full criterion).

As a further input to our assessment, we published the council's application on our website for a 4-week consultation period from 25 February 2024 to 24 March 2024.<sup>15</sup> Stakeholders could complete a survey-style feedback form and make submissions directly to us.

We have taken all stakeholder feedback into account in making our decision in accordance with our [Submissions Policy](#), including responses to our feedback form and submissions. The key issues raised in the feedback form and all published (non-confidential) submissions are outlined below.

### 3.1 Summary of feedback we received

We received 552 responses to our feedback form and 37 total submissions of which 25 were not confidential.

There are approximately 7,733 rateable properties in the council's local government area. There are 5,389 residential assessments, 737 business assessments, 1,606 farming assessments, and 1 mining assessment.

### 3.2 Responses to the feedback form

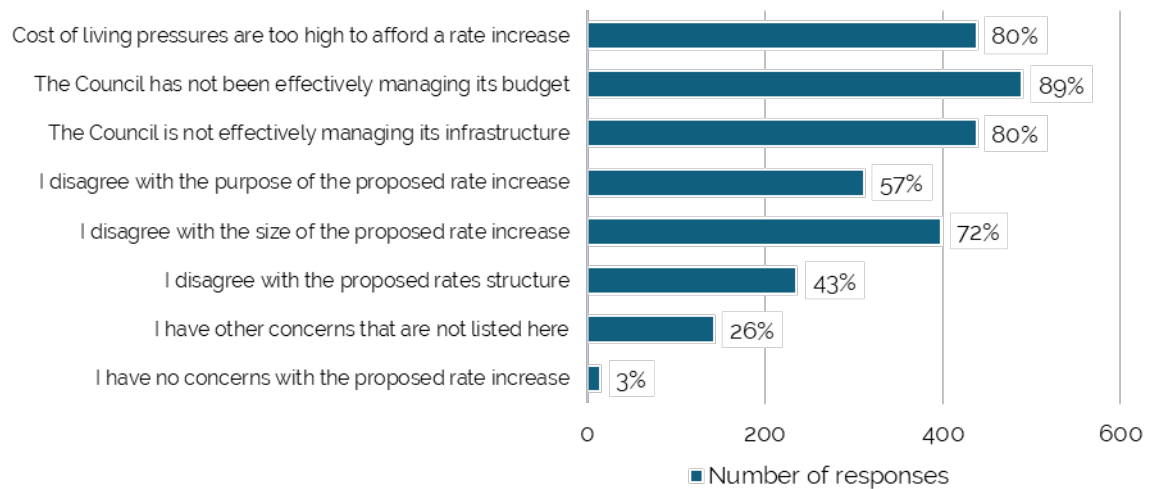
We published a feedback form to assist stakeholders to provide their views to IPART on the proposed SV generally, and on a range of specific topics. These included the affordability of the proposed rates increases, the council's consultation on the proposed SV, and the council's financial management. We note that while this was a survey-style feedback form, it was not a statistically representative survey and participants self-selected to provide feedback.

We received 552 responses relating to Upper Hunter Shire Council's application. Of these, 516 respondents (93.5%) were opposed to the proposed SV, 19 respondents (3.4%) partly supported it, 15 respondents (2.7%) supported the proposed SV, and 2 respondents (0.4%) were undecided.

Figure 3.1 and Figure 3.2 show the main reasons that stakeholders said they might oppose or might support the proposed SV.



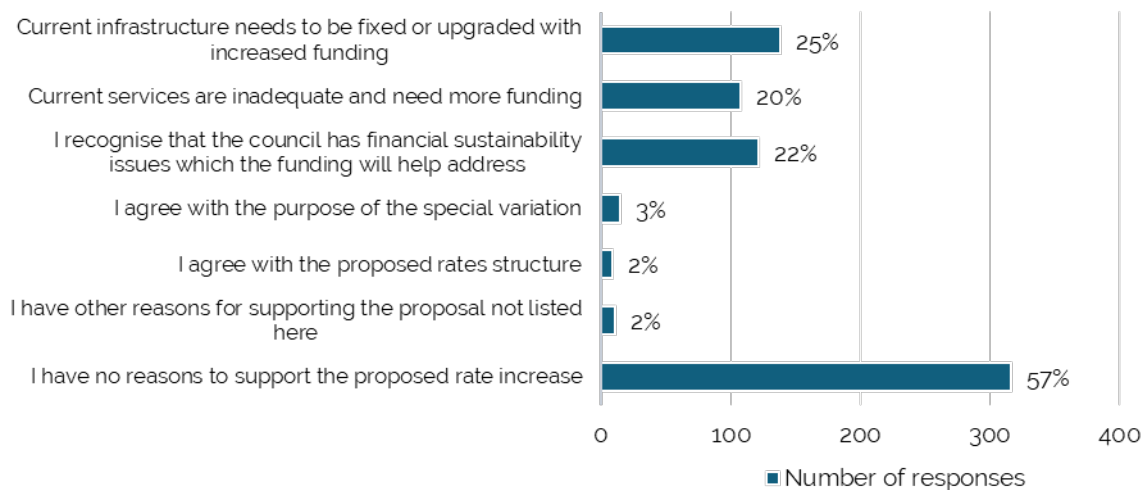
Figure 3.1 Reasons that respondents said they might oppose the proposed SV



Note: We received 552 responses to our feedback form and 37 total submissions of which 25 were not confidential. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

Figure 3.2 Reasons that respondents said they might support the proposed SV



Note: We received 552 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

The other responses to the feedback form are considered in Chapters 5, 6 and 8. The full results are available in [Appendix C](#).

### 3.3 Summary of issues raised

The key issues and views raised in the public submissions and feedback form, and our responses to them, are summarised below.<sup>b</sup>

#### 3.3.1 Affordability of proposed rates increases

Many submissions we received raised concerns about the impact of the council's proposed SV on the affordability of rates. They suggested this would lead to financial hardship especially in a cost-of-living crisis. Many put the view that given increasing costs of living, any increases in rates would have a detrimental effect. They stated that an increase would especially impact the members of the community on fixed incomes.

We have considered these concerns and outlined our conclusion in [Chapter 6](#).

#### 3.3.2 The council's financial management

Many submissions expressed dissatisfaction that the council has previously made decisions that resulted in debt and loss-making assets. They express that they feel that it is unfair for ratepayers to have to pay for the council's shortcomings. In particular, they cited the Hunter Warbirds visitor attraction, Scone airport, the Merriwa/Willow Tree Road project and the Scone saleyards as examples of financial mismanagement.

Feedback also calls for greater transparency from the council regarding its financial management and decision-making processes. In some submissions, stakeholders requested a clearer explanation of how the additional funds from the SV would be used. They also questioned accountability of past financial decisions and a few expressed doubts about the accuracy and consistency of the financial figures provided by the council to justify the proposed rate increase.

Many stakeholders that provided feedback raised concerns that the council has not used its resources efficiently. Some view the proposed SV as a way for the council to instill a temporary solution to financial mismanagement, and called for an audit into the council for financial mismanagement. The elected councillors are responsible for managing the council's finances. IPART does not have authority to examine the council's financial decisions or financial management more broadly, beyond our assessment of the SV application against the OLG Guidelines.

We have considered these concerns and outlined our conclusion in [Chapter 8](#).

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<sup>b</sup> Where a submission was marked as confidential we have not raised it here to protect confidentiality. Matters raised in the feedback form free-text section have generally been treated as confidential submissions.

### 3.3.3 The council's current services and infrastructure

Some submissions expressed the view that the council's core current services and infrastructure are unsatisfactory. For example, several rural ratepayers stated that road repairs were insufficient.

Some respondents to the feedback form also raised frustrations with the council's allocation of funds. They raise that the council focuses on projects in Scone while neglecting essential infrastructure like roads in other towns. They also express that the council should focus on core services and infrastructure rather than non-essential projects.

We have considered these concerns and outlined our conclusion in [Chapter 8](#).

### 3.3.4 The council's consultation with the community

Many submissions put the view that the council's community consultation on the proposed SV did not adequately capture community sentiment as the survey lacked a No SV option.

One submission states that the council documents lack meaningful information on the resources expended in relation to the Scone saleyards, Hunter Warbirds Museum, Scone airport and Campbell's Corner which resulted in the need for an SV. They stated that the council instead blamed external factors such as State cost-shifting, COVID-19 and natural disasters, and said that the council did not take adequate accountability in its own role.

We have considered these concerns and outlined our conclusion in [Chapter 5](#).

### 3.3.5 The community's willingness to pay for a special variation

Many of the stakeholders who made submissions to IPART indicated they were unwilling to pay for some of the council's non-core activities, especially when core-infrastructure such as roads are not being maintained.

The council submits that it has made some productivity savings on loss-making activities such as the Hunter Warbirds Museum. This is covered in [8.3.1](#).

We have considered these concerns and outlined our conclusion in [Chapter 6](#).

## 4 Our assessment of OLG Criterion 1 – Financial need

OLG Criterion 1 requires the council to clearly articulate and identify the need for, and purpose of, the proposed SV in its IP&R documents. It also requires the council to demonstrate the financial need for the SV by assessing the impact of the SV on its financial performance and position, and to canvass alternatives to the SV to meet the financial need.

Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 1, we reviewed the council's IP&R documents and the information in its application. We also considered stakeholders' comments on financial need received via our feedback form and submissions and undertook our own analysis of the council's financial performance and position. We do not audit council finances, as this is not part of our delegated authority.

We found that the council met this criterion. It clearly identified the need for and purpose of the proposed SV in its IP&R documents. It demonstrated that currently its operating expenses exceed its revenue and, without the SV, this gap would continue to persist over the next 10 years. This is unsustainable if the council is to successfully deliver the services and infrastructure in its adopted plans. It has demonstrated that it had canvassed alternatives to the SV to fill this gap.

The sections below discuss our assessment of Criterion 1 in more detail.

### 4.1 Stakeholder comments on financial need

In their submissions to us, many stakeholders raised concerns relating to the financial need criterion. In particular, they said:

- the financial need for rates increases results from poor financial management and oversight
- additional funds could be raised through efficiency savings, including cutting the council's staff numbers and reducing its reliance on external contractors
- the council should seek more efficiencies before applying for an SV.

We considered these concerns, taking into account all of the information available to us.

### 4.2 The council's IP&R documents

We found that the council's Long-Term Financial Plan (LTFP) adequately identifies and articulates the need for and purpose of the SV in the SV Background Paper attached to the LTFP.<sup>16</sup> The Delivery Program does not convey the purpose of the SV, but does convey the financial need necessitating the SV.<sup>17</sup> Overall, the purpose and need for the SV is adequately identified and articulated in the IP&R documents.

The documents state that the proposed SV of 33.10% over 3 years is needed to:<sup>18</sup>

- achieve a fully funded operating position
- maintain sufficient cash reserves
- maintain its asset base so it is 'fit-for-purpose'
- and have an appropriately funded capital program.

We found that the council has communicated the canvassing of alternatives to the SV.

## 4.3 Our analysis of the council's financial performance and position

We used information provided by the council in its application and IP&R documents to analyse the council's financial performance and financial position and the impact the proposed SV would have on these. This involved calculating financial forecasts under 3 scenarios:

1. **Proposed SV Scenario** – which includes the council's proposed SV revenue and expenditure.
2. **Baseline Scenario** – which does not include the council's proposed SV revenue or expenditure.
3. **Baseline with SV expenditure Scenario** – which includes the council's full expenditure from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with the full expenditure program included in its application but could only increase general income by the rate peg.

We then used these forecasts to examine the impact of the SV on key indicators of the council's financial performance and position – namely its operating performance ratio, net cash (or net debt) and infrastructure ratios.

We have generally used averages of the forecasts over the next 5 years for these indicators to smooth annual variability. In this chapter we also present data over a longer timeframe in some tables and charts however we note that data beyond 5 years is subject to greater variability.

### 4.3.1 Impact on Operating Performance Ratio

The Operating Performance Ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than zero is considered to be financially sustainable because the OPR measures a council's ability to contain operating expenditure within operating revenue.<sup>19</sup> The OLG has set a benchmark for the OPR of greater than zero (see Box 4.1 for more information).



### Box 4.1 Operating Performance Ratio

The OPR measures whether a council's income will fund its costs and is defined as:

$$OPR = \frac{\text{Total operating revenue} - \text{operating expenses}}{\text{Total operating revenue}}$$

where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.

The OLG has set a benchmark for the ratio of greater than 0%.

The ratio measures net operating results against operating revenue and does not include capital expenditure. A positive ratio indicates that an operating surplus is available for capital expenditure.

Generally, IPART considers that a council's average OPR over the next 10 years should be 0% or greater, as this represents the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% may bring into question the financial need for an SV.

However, we recognise that other factors, such as the level of borrowings or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark as set by OLG.

Source: Office of Local Government, [Performance Benchmarks](#) and [Assets](#).

We found that, over the next 5 years:

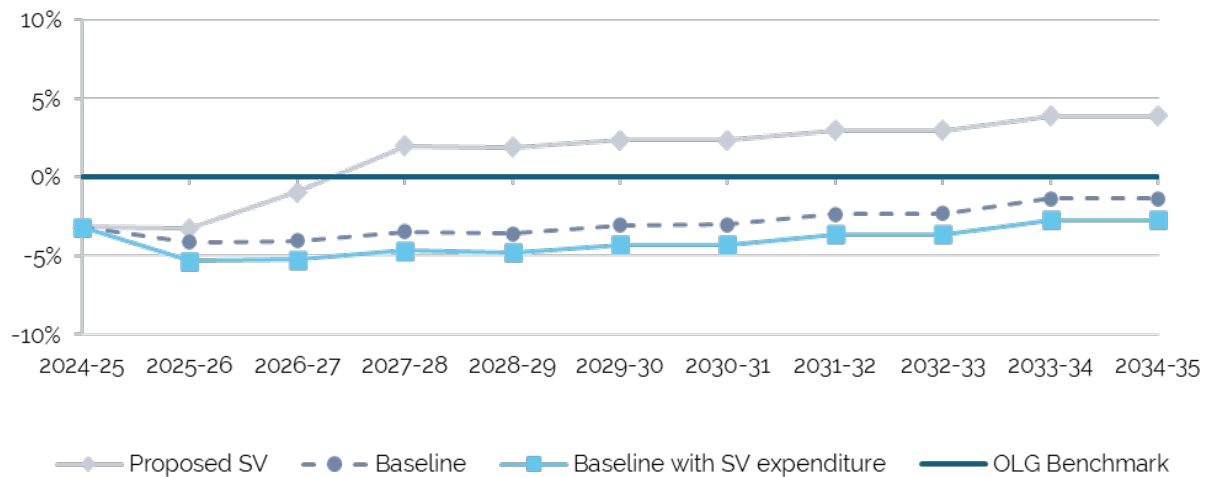
- **Under the Proposed SV Scenario**, the council's OPR would meet the OLG benchmark of above 0%. Its average OPR over this period would be 0.4%.
- **Under the Baseline Scenario**, the council's OPR would remain below 0% in 2025-26 and remain below 0% for the next 10 years. Its average OPR over the period would be -3.7%.
- **Under the Baseline with SV expenditure Scenario**, the council's OPR would remain below 0% in 2025-26 and remain below 0% for the next 10 years. Its average OPR over the period would be -4.9%.

This suggests that without the SV, the council's operating expenses would exceed its operating revenue, and its OPR would continue to remain below the OLG benchmark.

Furthermore, as at 30 June 2025, the council is expected to have net debt of \$17.1 million. The council may require a higher operating cashflow to service this debt.

Our analysis of the impact of the proposed SV on the council's OPR over the next 10 years is summarised in Figure 4.1 and Table 4.1.

Figure 4.1 The council's projected OPR



Notes: The OPR shown excludes capital grants and contributions.  
Source: Upper Hunter Shire Council, Application Part A.

Table 4.1 The council's projected OPR under 3 scenarios (%)

	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35
Proposed SV	-3.3	-0.9	2.0	1.9	2.4	2.4	3.0	3.0	3.9	3.9
Baseline	-4.1	-4.0	-3.5	-3.6	-3.1	-3.0	-2.3	-2.3	-1.4	-1.4
Baseline with SV expenditure	-5.3	-5.2	-4.7	-4.8	-4.3	-4.3	-3.6	-3.6	-2.7	-2.7

Source: Upper Hunter Shire Council, Application Part A.

### 4.3.2 Impact on net cash

A council's net cash (or net debt) position is an indicator of its financial position. For example, it indicates whether a council has significant cash reserves that could be used to fund the purpose of the proposed SV. We examined the council's cash and investments, and its net cash (debt) to income ratio. Box 4.2 explains these further.

## Box 4.2 Cash and investments and Net cash (debt) to income ratio

### Cash and investments

Councils hold cash and investments for a variety of purposes, but the use of these can be restricted in one of 2 ways:

- **Externally restricted.** These funds are subject to external legislative or contractual obligations.
- **Internally allocated.** These are subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash to cover those obligations.

Unrestricted funds can be used to fund the council's day to day operations and may be able to be used for the same purpose as the proposed SV. In some cases, this may be enough to avoid or delay the SV or reduce its size. However, this metric does not account for any borrowings or payables that need to be settled.

### Net cash (debt) to income ratio

The net cash (debt) to income ratio can show whether a council has sufficient cash reserves left over that could be used to fund the purpose of the proposed SV, *after* taking out its payables and borrowing obligations.

$$\text{Net cash (debt) to income ratio} = \frac{(\text{Cash} + \text{Investments} + \text{Receivables}) - (\text{Payables} + \text{Borrowings})}{\text{Total operating revenue (excluding capital grants)}}$$

The cash and investments in this formula includes balances subject to *external* restrictions and *internal* allocations.

A positive ratio shows that a council may have access to cash reserves to help address its financial need. A negative ratio shows that a council may not have reserves to rely on to address financial sustainability issues.

For instance, a ratio of 10% means that an entity has 10 cents of net cash per \$1 of operating revenue. Conversely, a ratio of -10% means that an organisation has 10 cents of net debt (i.e. -10 cents net cash) per \$1 of operating revenue.

### Cash and investments

The council advised us that on 30 June 2024, it held a total of \$30.6 million in cash and investments. This comprised:<sup>20</sup>

- **\$30.1 million externally restricted funds.** For Upper Hunter Shire Council, examples include its water fund, sewer fund and general developer contributions.<sup>21</sup>
- **\$0.5 million internally allocated funds.** For Upper Hunter Shire Council, examples include employee leave entitlements.<sup>22</sup>

- **\$0 unrestricted funds.** These funds can be used to fund the council's day to day operations.

This suggests that the council's cash reserves are committed to other purposes and cannot be used to fund the purpose of the SV. The council requires a cash balance in its unrestricted reserves to meet costs it may face in the future such as from natural disasters. The council's LTFP indicates that its unrestricted cash reserves would drop to -\$18.87 million by 30 June 2034 under the baseline scenario. With the proposed SV, the council's unrestricted cash reserves would increase to \$5.86 million by 30 June 2034.<sup>23</sup>

### Net cash (debt) to income ratio

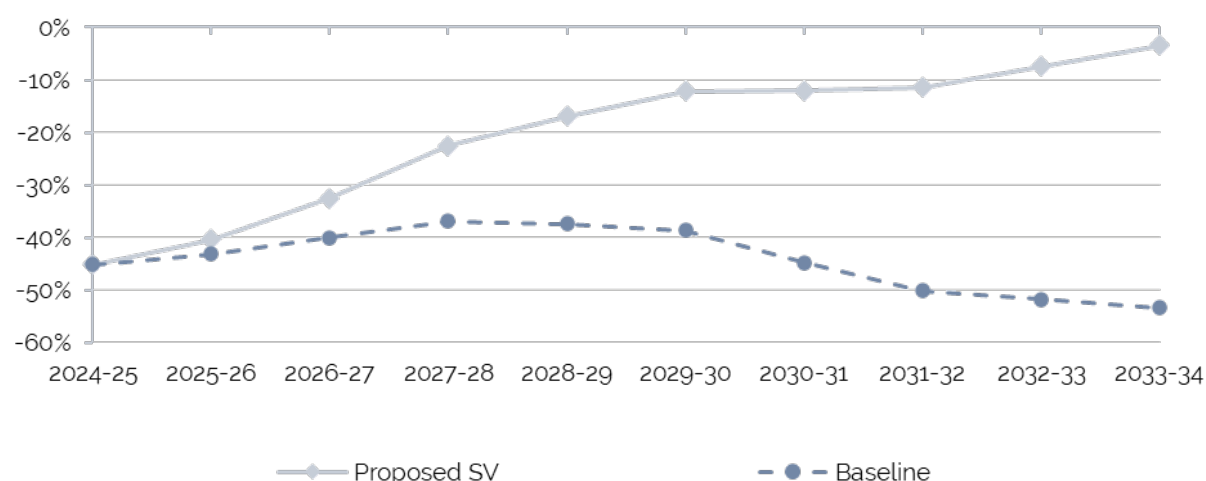
We calculated that as at 30 June 2025, the council would have net cash of -\$17.1 million (or a net debt of \$17.1 million). The council would have a net cash (debt) to income ratio of -41.4%.

Over the next 5 years:

- **Under the Baseline Scenario**, the council's net cash (debt) to income ratio would remain below zero percent and continue to decline. Its average net cash (debt) to income ratio over this five-year period would be -41.4%.
- **Under the Proposed SV Scenario**, the council's net cash to income ratio would remain below zero percent, but would improve. It's average net cash (debt) to income ratio over this five-year period would be -26.9%. The council will need a positive operating cashflow to service this debt.

The impact of the proposed SV on the council's net cash (debt) to income ratio over the next 10 years is presented in Figure 4.2.

Figure 4.2 The council's net cash (debt) to income ratio (%)



Source: Upper Hunter Shire Council, Application Part A, Worksheet 9.

Taking into account the council's OPR and net cash position, we found that the council satisfies the criterion for financial need. Without the proposed SV, the council's operating performance ratio would remain below the 0% OLG benchmark, and the council's net cash to income ratio would decline. The proposed SV will increase the council's OPR to slightly exceed the benchmark. The council needs to raise revenue above the rate peg to ensure its operating revenues exceed its operating costs and prevent its net cash (debt) to income ratio from declining.

### 4.3.3 Impact on infrastructure ratios

Managing infrastructure assets is an important council function. A council's ability to maintain and renew these assets as they depreciate is an indicator of its financial position and its capacity to provide services to the community. To measure this indicator, we used information provided by the council to assess its infrastructure backlog, infrastructure renewals and asset maintenance ratios, and compared them to OLG's benchmarks:

- **The infrastructure backlog ratio** indicates whether the council has a need for additional revenue to maintain its infrastructure assets. It shows the infrastructure backlog as a proportion of the total value of a council's infrastructure. OLG's benchmark for the infrastructure backlog ratio is less than 2%.
- **The infrastructure renewals ratio** measures the rate at which the council is renewing its infrastructure assets against the rate at which they are depreciating. OLG's benchmark for the infrastructure renewals ratio is greater than 100%.
- **The asset maintenance ratio** compares actual versus required asset maintenance. OLG's benchmark for the asset maintenance ratio is greater than 100%.

See [Box 4.3](#) for more information on these ratios.



## Box 4.3 Infrastructure ratios for councils

### Infrastructure backlog ratio

The infrastructure backlog ratio measures the council's backlog of assets against the total written down value of its infrastructure, and is defined as:

$$\text{Infrastructure backlog ratio} = \frac{\text{Estimated cost to bring assets to a satisfactory standard}}{\text{Carrying value of infrastructure assets}}$$

where the carrying value of infrastructure assets is the historical cost less accumulated depreciation.

OLG has set a benchmark for the ratio of less than 2%.

### Infrastructure renewals ratio

The infrastructure renewals ratio assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. It is defined as:

$$\text{Infrastructure renewals ratio} = \frac{\text{Infrastructure asset renewals}}{\text{Depreciation, amortisation and impairment}}$$

The OLG has set a benchmark for the ratio of greater than 100%.

### Asset maintenance ratio

Where relevant, we may also consider the council's asset maintenance ratio. This compares the actual versus required asset maintenance.

$$\text{Asset maintenance ratio} = \frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$$

The OLG has set a benchmark for the ratio of greater than 100%.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

## Impact on infrastructure backlog ratio

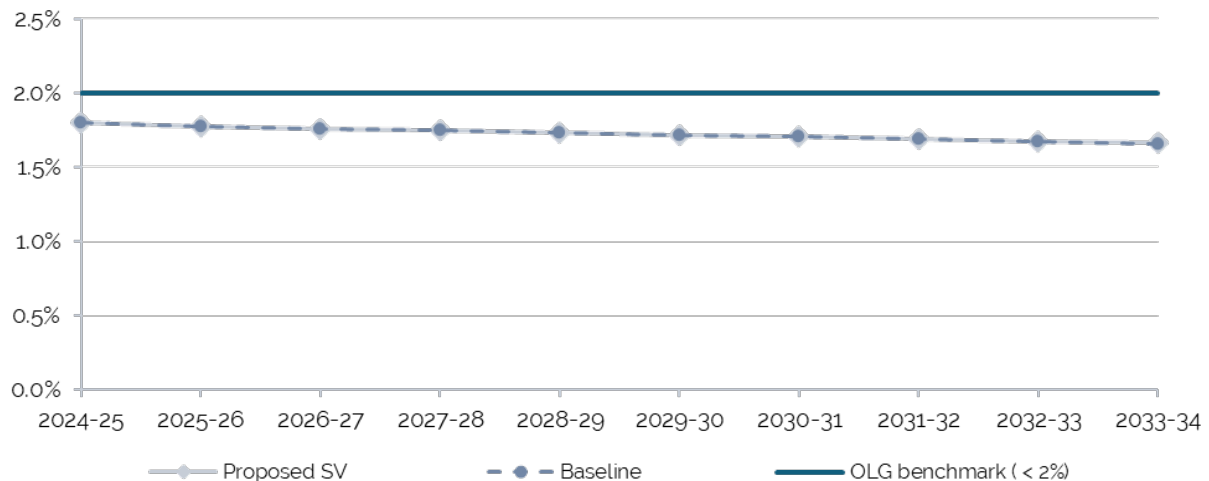
We found that over the next 5 years<sup>c</sup>, the council's infrastructure backlog ratio would be:

- 1.7% under the Baseline Scenario
- 1.7% under the Proposed Scenario.

<sup>c</sup> We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

As Figure 4.3 shows, we found that both with and without the proposed SV, the council's infrastructure backlog ratio would be identical and remain in line with the OLG benchmark of less than 2.0% for the next 10 years. We note that addressing the infrastructure backlog is not part of the council's SV purpose.

Figure 4.3 The council's infrastructure backlog ratio



Source: Upper Hunter Shire Council, Application Part A.

### Impact on infrastructure renewals ratio

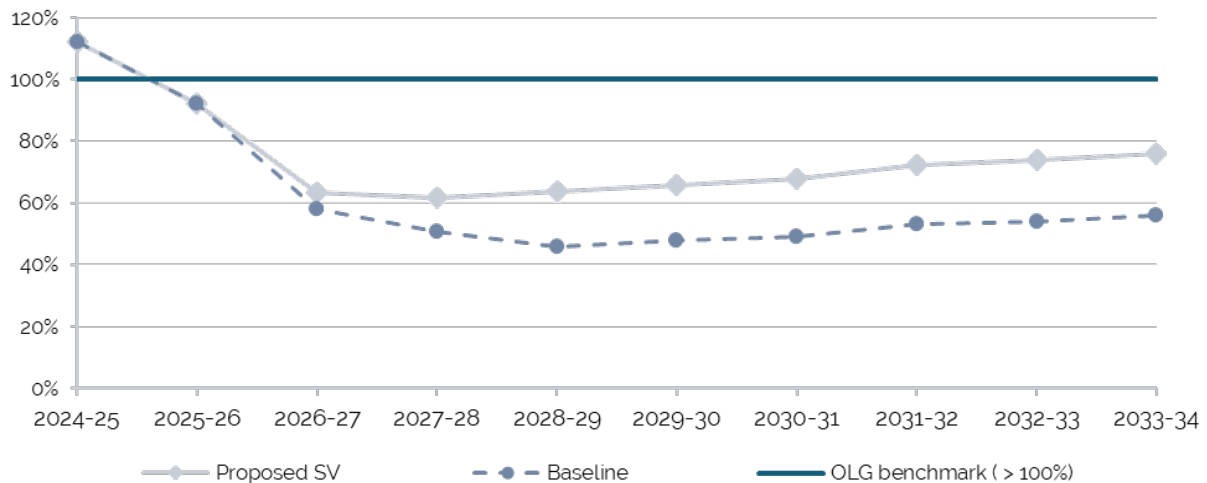
We found that over the next 5 years<sup>d</sup>, the council's infrastructure renewal ratio would be:

- 59% under the Baseline Scenario
- 69.4% under the Proposed SV Scenario

<sup>d</sup> We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

As Figure 4.4 shows, we found that both with and without the proposed SV, the council's infrastructure renewals ratio is below the OLG benchmark of greater than 100% and is forecast to remain below the benchmark for the next 10 years. However, the ratio would be slightly higher (i.e. better) with the SV.

Figure 4.4 The council's infrastructure renewal ratio (%)



Source: Upper Hunter Shire Council, Application Part A.

### Impact on asset maintenance ratio

For the asset maintenance ratio, over the next 5 years:

- under the Baseline Scenario the average asset maintenance ratio would be 57.0%
- under the Proposed SV Scenario the average asset maintenance ratio would be 62.0%

This does not meet the OLG benchmark of greater than 100% in either scenario, but the proposed SV scenario results in a higher percentage that is slightly closer to the benchmark.

The purpose of the SV includes the maintenance of critical infrastructure including roads which are a priority to the community.<sup>24</sup>

Over the next 5 years:

- the average infrastructure backlog ratio would be 1.7%, which meets the OLG benchmark of 2%. We note that Upper Hunter Shire Council's forecast infrastructure backlog ratio is the same under both the Baseline and SV scenarios
- the average infrastructure renewal ratio would be 69.4% which does not meet the OLG benchmark of greater than 100% but is better relative to the baseline scenario
- the average asset maintenance ratio would be 62% which does not meet the OLG benchmark of greater than 100% but is better relative to the baseline scenario.

This analysis supports the financial need for the SV as both the infrastructure renewal and asset maintenance ratios remain below the OLG benchmarks.

## 4.4 Alternatives to the rate rise

We assessed whether, in establishing the need for the SV, the council's relevant IP&R documents canvassed alternatives to the rate rise to meet the financial need.

We found that the council has canvassed some alternatives to the SV. These include grants, user fees and charges,<sup>25</sup> and reductions in services and capital expenditure.<sup>26</sup>

Additionally, the LTFP discussed a series of recent and future cost-saving measures which contribute to the goal of financial sustainability and thus, reduces the need for an SV. However, these measures are to be implemented regardless of the SV.<sup>27</sup>

While alternatives are presented in the council's LTFP, the Delivery Program does not clearly communicate the canvassing of alternatives to the SV.

We also investigated whether and to what extent the council has any available deferred rate increases. We found that it does not have any available deferred rate increases.

## 5 Our assessment of OLG Criterion 2 - Community awareness

OLG Criterion 2 requires the council to provide evidence that the community is aware of the need for and extent of the proposed rate increase. It requires the council to:

- communicate the full cumulative increase of the proposed SV in percentage terms and in dollar terms for the average ratepayer, by rating category
- outline its ongoing efficiency measures and performance
- use a variety of engagement methods to ensure community awareness and provide opportunities for community input.

The criterion does not require the council to demonstrate community support for the SV application.

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Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 2, we considered stakeholder comments about community awareness that we received through our feedback form and submissions and we analysed the council's community engagement on the proposed SV.

We found that the council met this criterion.

The council satisfactorily engaged with and consulted its community and provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods and provided sufficient opportunities for the community to provide feedback. However, it could have better considered this feedback in preparing its SV application.

The sections below discuss our assessment of Criterion 2 in more detail.

### 5.1 Stakeholder comments on community awareness

In submissions to IPART, some stakeholders raised concerns related to the council's community consultation, including that the council:

- did not provide an option to choose 'No SV' on the council community consultation survey
- did not respond to their concerns about the proposed SV through various channels
- was not transparent about the need for an SV by not capturing the complete impacts of taking on non-core ventures such as the Hunter Warbirds Museum, Scone airport, Scone saleyards and Campbell's Corner, in the SV documentation.

Further, in our feedback form, we asked respondents how much they agree or disagree with 4 statements about the community's awareness and understanding of the rate increase proposed by council.

We received 552 responses. A majority of respondents did not agree that the council explained to the community its reasons for increasing rates through various methods, and over 75% of respondents did not agree that the council provided adequate opportunity for the community to give feedback or consider the community feedback in its decision making. The full results are presented in Figure C.2 in [Appendix C](#).

We considered these concerns, taking account of all the information available to us. Our assessment is discussed below.

## 5.2 Our assessment of the council's engagement and consultation

To assess the effectiveness of the council's community engagement and consultation on the proposed SV, we considered whether:

- the information provided to ratepayers was generally sufficient and clear
- the variety of engagement methods used was effective
- the process used to consult the community provided timely opportunities for ratepayers to be informed and provide feedback on the proposed SV
- the outcomes from the consultation were considered in preparing the SV application.

### 5.2.1 Information provided to ratepayers

We found that overall the information the council provided to ratepayers about the proposed SV was sufficient to create awareness of the proposed SV.

The council's consultation materials were generally clear and set out:<sup>28</sup>

- the purpose and need for the SV
- the full cumulative percentage increase of the proposed SV and the projected average rates in dollar terms for the residential rating category
- how to find out more information
- how to provide feedback (survey, email and written submissions).

However, the council's IP&R documents and consultation materials have the following shortcomings:

- the Delivery Program did not set out the extent of the rate rise
- some consultation materials did not include the increase in dollar terms for the average business, and farmland rates.

We found the council's survey did not allow the respondents to enter a preference for no increases from a special variation.<sup>29</sup> However, the council indicated that they were considering a no SV option by also asking in the survey – "If no SRV is introduced, which services are least required or could be reduced".<sup>30</sup> Also, we note that the council provided other ways to provide input – through mail, email or drop in sessions in its consultation materials.<sup>31</sup> The council's LTFP provided forecasts of its financial position without the SV which allowed ratepayers an opportunity to provide comment on the council's Base Case scenario.<sup>32</sup>

## 5.2.2 Engagement methods used

We found the council used an appropriate variety of engagement methods to promote awareness of its proposed rates increase and provided opportunities for ratepayers to provide feedback.

Throughout its consultation period, its engagement activities included:<sup>33</sup>

- a dedicated [SV webpage](#), launched on 3 June 2024, which included an online survey and instructions to make a submission or attend a community information session
- community mailout to all rate assessment properties (approximately 6,500 ratepayers).
- social media channels (including Facebook)
- media release to all local media
- local newspaper advertisements (e.g. via printed inserts in local newspapers)
- 30 second local radio advertisements (e.g. via PowerFM and 2NM)
- 3 Community drop-in sessions where the community was allowed to discuss and learn more about the proposed SV
- Printed communications collateral including information on the SV and how to provide feedback available for the community to take or review at three council administrative locations and libraries in Scone, Merriwa and Murrurundi throughout the engagement period.

## 5.2.3 Process for community consultation

We found the process the council used to engage with and consult the community about the proposed SV was adequate.

The council consulted with the community from 3 June to 15 July 2024.<sup>34</sup> We found that this consultation period provided enough opportunity for ratepayers to be informed and provide feedback on the proposal.

## 5.2.4 Council consideration of outcomes of community consultation

As noted above, OLG Criterion 2 does not require the council to demonstrate community support for the proposed special variation. However, it does require the council to consider the results of community consultation in preparing its application.

We found the council could have more comprehensively considered the results of community consultation.

Upper Hunter Shire Council engaged consultants to prepare a Community Engagement Outcomes Report. The report indicates that during the consultation period:<sup>35</sup>

- the council's online survey received 176 responses
- the council received 60 written or emailed submissions
- its community drop-in sessions attracted 27 attendees
- its SV web page received 1,026 views from 718 unique visitors



- its Facebook campaign received 22,318 visits.

The report found that of the 176 responses to the council's online survey:<sup>36</sup>

- 88 respondents (50%) nominated Option 1 (three-year SV) as their preferred option whereas 88 (50%) respondents nominated Option 2 (four-year SV) as their preferred option
- a majority of 105 respondents (59.66%) said they understood why the council needs to apply for the SV, 26 (14.77%) said they did not understand, and 45 respondents (25.57%) did not answer this question.

We note that there are some differences between the responses to the council's online survey and the responses to IPART's feedback form. For example, while responses to the council's survey generally said they understood the reason for the SV, IPART's survey had a different result. Responses to the council's survey found that a majority of 105 respondents (59.7%) said they understood why the council needs to apply for the SV, 26 (14.8%) said they did not understand, and 45 respondents (25.6%) did not answer this question.<sup>37</sup> In comparison, IPART's survey (552 respondents) found that a majority of 387 respondents (70%) disagreed that the council had explained to the community its reasons for increasing rates, 89 respondents (16%) agreed, and 76 respondents (14%) said they neither agree nor disagree.

This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Other feedback from the council's own survey included:<sup>38</sup>

- Approximately 19% of respondents indicated that the proposed SV options were unaffordable and questioned whether they would be able to pay their rates if a SV was implemented.
- Approximately 12% of respondents cited current cost of living pressures - including rising inflation and increasing costs of everyday items such as groceries, fuel and energy as a reason for their opposition to the introduction of an SV.
- Approximately 40% of respondents suggested that the council needs to achieve further operational efficiencies and cost savings prior to seeking an SV. Suggestions included reducing the number of staff, achieving efficiency improvements, reviewing the organisation's salary structure and reducing councillor fees.
- Approximately 1% of respondents suggested that the council needs to explore opportunities to achieve additional revenue via alternative income streams.
- Approximately 3 % of respondents expressed concern in relation to the potential impact of an SV on the Upper Hunter Shire's economy and community, specifically via business closures or population decline due to residents and families needing to relocate to other areas.
- Approximately 11% of respondents believe the council's existing service levels are too low and need to potentially increase. Several respondents cited household waste collection service levels as an issue, specifically collection frequency, whereas others raised the quality of local roads as an issue.

- Approximately 11% of respondents stated the council should reduce existing service levels and review (or discontinue) non-core services, rather than seek an SV. Some respondents suggested that service levels should be reviewed and potentially reduced, whereas others indicated that its non-core services should be discontinued. Suggestions included discontinuing the provision of aged care and early childhood learning services, reducing the number of community facilities (e.g. swimming pools, libraries, youth centres), and reviewing operating hours for customer-facing services.
- Approximately 3% of respondents expressed support for the council's current services and service levels, and potentially increasing service levels.

The council advised that they had taken into consideration feedback from the community through the following methods:<sup>39</sup>

- The council said that they had chosen the more popular SV option consulted on. The council consulted on two SV options with the community. The engagement survey was split with 50% favouring Option 2, 10% for 3 years (33.10% cumulative), and 50% favouring Option 2, 7.5% for four years (33.55% cumulative).
- The council also said that it responded to each of the themes identified through the engagement as set out in the Community Engagement Outcomes.<sup>40</sup> This was publicly reported and they told us that people who made submissions were advised individually by email or letters.

However, we found the council's consultation process had the following shortcomings:

- No baseline option (i.e. rate peg only) was offered as a choice in the council's survey requesting feedback on the proposed special variation options. In the IPART feedback form, we received 552 responses relating to Upper Hunter Shire Council's application. Of these, 516 respondents (93.5%) were opposed to the proposed SV, 19 respondents (3.4%) partly supported it, 15 respondents (2.7%) supported it, and 2 respondents (0.4%) were undecided.
- The themes identified in the council's report on the engagement do not disclose what proportion of submissions are opposed to the SV. Some stakeholders in the feedback form and submissions sent to IPART said that Upper Hunter Shire Council required the SV because of financial mismanagement around non-core ventures such as the Hunter Warbirds attraction, Scone airport, Scone saleyards and Campbell's Corner. One stakeholder said that the council was not transparent in communicating how this contributes to the need for an SV, such as not discussing these items in the themes published by the council.

Despite some shortcomings, we found that the council has met this criterion as they have provided sufficient information about the need for and extent of the proposed SV. Additionally, the council used an appropriate variety of engagement methods and provided sufficient opportunities for the community to provide feedback.

## 6 Our assessment of OLG Criterion 3 - Impact on ratepayers

OLG Criterion 3 requires the council to show that the impact on ratepayers is reasonable considering current rates, the community's capacity to pay and the proposed purpose of the special variation.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments on the proposed SV's impact on ratepayers received through our feedback form and submissions and analysed the council's assessment of the impact of the SV on ratepayers. We also undertook our own analysis to assess whether this impact is reasonable.

We found that the council met Criterion 3. Overall, we consider the impact of the proposed SV on ratepayers is generally reasonable. The council assessed the community's socio-economic indicators such as household income and impact on renters from cost shifting, and concluded the community has sufficient capacity to manage the proposed rates increases.<sup>41</sup> Our own analysis found that with the SV, the council's average residential and business rates would generally be in line or lower than the averages for comparable councils based on locality, SEIFA rank and OLG group.

However, we note that average farmland rates are higher than those in comparable councils. While this may reflect differences in land values or land use patterns, we recommend the council monitor the ongoing impact on the farming community to ensure rates remain fair and equitable.

We found that most indicators suggest the community generally has less socio-economic disadvantage than communities in comparable council areas. This is reflected in the higher median household income, lower ratio of average residential rates to household income and a smaller proportion of the population receiving government assistance. Although we found the council has a higher outstanding rates and annual charges ratio relative to comparable councils, it has a separate rating structure for certain localities which roughly corresponds to the locality's level of disadvantage. The most disadvantaged localities also generally have lower land values resulting in lower rates.

We also note that the hardship policy had only one applicant in the last three years.<sup>42</sup> While we found the impact on ratepayers is generally reasonable, the IPART Chair has written to the Office of Local Government recommending that they examine the council's hardship policy.

The sections below discuss our assessment of OLG Criterion 3 in more detail.

## 6.1 Impact of the proposed SV on average rates

The council calculated the average impact on ratepayers. Table 6.1 sets out its expected increase in average rates in each ratepayer category under the proposed 3-year permanent SV. It shows that from 2025-26 to 2027-28 the average:

- residential rate would increase by \$323 or 33.10% in total
- business rate would increase by \$395 or 33.10% in total
- farmland rate would increase by \$1,380 or 33.10% in total
- mining rate would increase by \$47,522 or 33.10% in total.

Table 6.1 Impact of the proposed special variation on average rates

	2024-25 (Current)	2025-26	2026-27	2027-28	Cumulative increase
Residential average rates (\$)	975	1,073	1,180	1,298	
\$ increase	0	98	107	118	323
% increase		10.0	10.0	10.0	33.10
Business average rates (\$)	1,194	1,313	1,444	1,589	
\$ increase	0	119	131	144	395
% increase		10.0	10.0	10.0	33.10
Farmland average rates (\$)	4,170	4,587	5,046	5,550	
\$ increase	0	417	459	505	1,380
% increase		10.0	10.0	10.0	33.10
Mining average rates (\$)	143,571	157,928	173,721	191,093	
\$ increase		14,357	15,793	17,372	47,522
% increase	0	10.0	10.0	10.0	33.10

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.

Source: Upper Hunter Shire Council, Application Part A and IPART calculations.

## 6.2 Stakeholder comments on the impact on ratepayers

Many submissions we received raised concerns about the impact of the proposed SV on the affordability of rates. We note that there are currently around 7,733 residential ratepayers in the council area.

For example, some submitters commented that the SV would have:

- a significant impact on ratepayers due to the cost of living
- a large impact on ratepayers on fixed incomes.

Additionally, stakeholders indicated they were unwilling to pay for some of the council's non-core activities, especially when core-infrastructure assets such as roads are not being maintained.

In our feedback form, we asked respondents how much they agree or disagree with 4 statements about the affordability of the rate increase proposed by the council.

We received 552 responses. Over 3-quarters of these responses did not agree that the rates increase was affordable (disagreed or strongly disagreed). A similar proportion did not agree that the application considers the financial constraints of ratepayers, considers different options to reduce the financial impact on ratepayers, or balances the community's need for services and its impact on ratepayers. The full results are presented in Figure C.3 in [Appendix C](#).

We have considered these concerns as part of our assessment of this criterion, alongside other available information. We acknowledge that ratepayers are experiencing cost-of-living pressures, and the rate increases associated with the SV will add to those.

However, as outlined above, we consider the impact of the increases is generally reasonable, given that with the SV, average rates would still be in line with comparable councils, and the council has a hardship policy ([section 6.4](#) below discusses our reasons in more detail).

## 6.3 The council's assessment of the proposed SV's impact on ratepayers

The criterion requires that the Delivery Program and LTFP show the impact of any rate rises on the community, demonstrate the council's consideration of the community's capacity to pay rates, and establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

### 6.3.1 The council's IP&R documents

We found that the council's LTFP clearly communicates the impact of the SV on each category of ratepayers. The LTFP also clearly shows the total (cumulative) dollar increase per rating category in a SV scenario,<sup>43</sup> although we found immaterial differences between the rates stated between the LTFP and the SV application. These differences were less than 1% of the dollar increases per rating category and did not change our overall assessment of this criterion.<sup>44</sup>

The council's Delivery Program does not present the impact of the proposed SV on rates.

### 6.3.2 The council's consideration of capacity to pay

The council's capacity to pay analysis provides an analysis of the SV's impact on households relative to household income and household rental amounts in 2021.<sup>45</sup> This also compares the average annual general rate by category with other neighbouring councils.

The analysis concludes:

- The general rate increase on the average residential household by the final year of SV will be \$323 or \$6.21 per week, which is approximately 0.43% of the median weekly household income of \$1,429.<sup>46</sup>

- The majority of rents in the Upper Hunter LGA are between \$150 per week and \$550 per week with a median amount of approximately \$225 per week. The additional rate increases above the rate peg of \$4 per week by the final year of the SV, if fully passed on from the landlord to the tenant, will result in a 1.8% increase by the final year. Over 80% of tenants will be impacted by less than a 2.3% increase in their rent.<sup>47</sup>

However, the Capacity to Pay analysis has some shortcomings:

- The capacity to pay analysis exclusively discusses the impact of rate increases on residential ratepayers and there is significantly less information available on the impact on business and farmland ratepayers. In particular, we note that farmland rates account for approximately 52% of the rates income for Upper Hunter Shire Council.<sup>48</sup>
- In the tables used to show the impact of rate increases, the council uses the percentage above rate peg (\$4) to calculate the weekly impact on household income and rent rather than rate peg plus the SV increase (\$6).<sup>49</sup> This makes the impact of the SV seem smaller than it is.

## 6.4 Our analysis of the proposed SV's impact on ratepayers

To assess the reasonableness of the impact on ratepayers, we considered:

- how the council's rates have changed over time
- how current and proposed rates compare to councils in similar circumstances
- the community's capacity to pay based on socio-economic indicators, historical hardship applications and outstanding rates data
- what hardship provisions the council has in place to mitigate the impact.

We found that the impact of the proposed SV on ratepayers is generally reasonable. The council's average residential rates would generally be in line with the averages for comparable councils based on locality, SEIFA rank and OLG group, although its average farmland rates would be higher.

We found that most indicators suggest the community has less socio-economic disadvantage than communities in comparable council areas. This is reflected in the higher median household income, lower ratio of average residential rates to household income and a smaller proportion of the population receiving government assistance.

Although we found the council has a higher outstanding rates and annual charges ratio relative to comparable councils, it has a separate rating structure for certain localities which roughly corresponds to the locality's level of disadvantage. The most disadvantaged localities also generally have lower land values resulting in lower rates. The separate rating structure and the lower land values mean that although the SV will increase by the same percentage across the LGA, the SV will have a smaller dollar impact in the more disadvantaged localities.

### 6.4.1 How the council's rates have changed over time

Over the past 5 years, the average annual growth in the council's residential rates has been slightly higher than the rate peg. Table 6.2 shows, residential rates have increased at an annual average rate of 3.3%, compared to the average rate peg of 2.94% over the same period.

Table 6.2 Historical average rates in Upper Hunter Shire Council (\$nominal)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Average annual growth (%)
Residential	831	855	878	896	927	975	3.3
Business	896	711	893	896	931	1,194	5.9
Farmland	3,662	3,714	3,779	3,853	3,970	4,170	2.6
Mining	94,000	127,000	130,000	132,000	137,000	143,571	8.8

Source: OLG, [Time Series Data 2023-24](#), Upper Hunter Shire Council, Application Part A, IPART calculations

The council also has different residential and business rates based on the location of the rateable property. The council forecasts that ratepayers in Scone, the most advantaged locality, will pay up to more than double that of ratepayers in other regions within the LGA.<sup>50</sup> For example:<sup>51</sup>

- in the more advantaged Scone area which has a median household income of \$1,561, by 2027-28, the average residential rates would increase to \$1,580.
- in the less advantaged Murrurundi area which has a median household income of \$1,006, by 2027-28, the average residential rates would increase to \$748.

Table 6.3 Average rates forecasts within Upper Hunter Shire Council (\$nominal)

	2024-25	2025-26	2026-27	2027-28	2028-29
Residential Aberdeen	668.45	735.30	808.83	889.71	914.62
Residential Cassillis	568.79	625.67	688.24	757.06	778.26
Residential Merriwa	653.26	718.59	790.45	869.49	893.84
Residential Murrurundi	618.54	680.39	748.43	823.27	846.32
Residential Scone	1,187.19	1,305.91	1,436.50	1,580.15	1,624.40
Business Aberdeen	1,236.12	1,359.73	1,495.70	1,645.27	1,691.34
Business Merriwa	807.10	887.80	976.59	1,074.24	1,104.32
Business Murrurundi	987.00	1,085.70	1,194.27	1,313.69	1,350.48
Business Scone	1,816.57	1,998.23	2,198.05	2,417.85	2,485.55

Source: Upper Hunter Shire Council, Application Part A, WS7.

## 6.4.2 How the council's rates compare to other councils

We compared the council's current average rates, and what they would be with the SV, with those of comparable councils. We then considered these findings together with the socio-economic comparisons discussed in [section 6.4.3](#) and the available hardship provisions discussed in [section 6.4.5](#) to help us assess the reasonableness of the proposed rate increase. Box 6.1 outlines how we selected the comparable councils for this analysis.



## Box 6.1 Comparable councils

In our analysis of rate level and capacity to pay indicators, we have compared Upper Hunter Shire Council to other councils that are comparable to it based on their locality, SEIFA rank, and OLG group.

### Comparable councils based on locality

Comparable councils based on locality includes neighbouring and nearby local government areas (LGAs). These council areas are not necessarily similar, but as ratepayers are more likely to be familiar with them and the differing service levels they provide, this comparison may help them assess their own rates level.

The councils we used for this comparison are Liverpool Plains Shire, Mid-Coast, Mid-Western Regional, Tamworth Regional, Singleton, Walcha Shire, and Warrumbungle Shire. These councils are geographically close to Upper Hunter Shire Council, but do not necessarily share a common border.

### Comparable council based on SEIFA rank

Comparable councils based on SEIFA rank means councils whose LGAs have similar levels of socio-economic advantage and disadvantage, as measured by Socio-Economic Indexes for Areas (SEIFA). SEIFA is a series of indexes that rank Australian LGAs according to relative socio-economic factors. It is developed by the Australian Bureau of Statistics using the latest census results (currently 2021). We used the 'Index of Relative Socio-economic Advantage and Disadvantage' which includes 23 variables covering income, household make-up, housing, education levels and employment.

Upper Hunter Shire Council has a SEIFA rank of 46 out of 128 NSW councils. In general, a lower SEIFA rank indicates a higher level of relative disadvantage.

We compared the council's average rates with those of other rural councils with a similar SEIFA rank. The 4 rural councils with the closest SEIFA rank are Bogan Shire, Forbes Shire, Oberon, and Weddin Shire councils.

### Comparable councils based on OLG group

Comparable councils based on OLG group means the other councils in the same OLG group as Upper Hunter Shire Council.

The OLG sorts councils into groups for comparison purposes. These groups are based on broad measures such as their LGAs having similar levels of development (metropolitan, regional, rural), and populations. Councils in each group may have some similarities in terms of their service levels and costs, but there may also be some broad differences between them.

### Box 6.1 Comparable councils

Upper Hunter Shire Council is in OLG Group 11, which comprises 'rural areas with a population of less than 20,000 but more than 10,000'. Group 11 includes 19 councils in total, including Federation Shire, Gunnedah Shire, and Snowy Valleys councils.<sup>52</sup>

Our comparison of the council's average residential rates is set out in Table 6.3. It shows that:

- In 2024-25, its average residential rates are lower than the averages for comparable councils based on locality and OLG group, but higher than the average for comparable councils based on SEIFA rank
- In the final year of the proposed SV period (2027-28), these rates would be lower than the average for comparable councils based on locality but higher than the average for comparable councils based on SEIFA rank and OLG group.

Our comparison of the council's average business and farmland rates is set out in Table 6.4. It shows that:

- Its current average business rates are lower than the average for comparable councils based on locality, SEIFA rank, and OLG group.
- In 2027-28, these rates would remain lower than the average for comparable councils based on locality, SEIFA rank, and OLG group.
- Its current average farmland rates are higher than the averages for comparable councils based on locality, and SEIFA rank, but lower than the average for comparable councils based on OLG group. In 2027-28, they would become higher than the averages for comparable councils based on locality, SEIFA rank, and OLG group.

Mining rates are very difficult to compare across councils, as there is a range of factors that can determine the level of these rates.

Table 6.4 Comparison of the council's average residential rates under the proposed SV (Average residential rate (\$))

Council	2024-25 (Current)	2025-26	2026-27	2027-28
<b>Upper Hunter Shire Council (OLG Group 11)</b>	<b>975</b>	<b>1,073</b>	<b>1,180</b>	<b>1,298</b>
<b>Comparable based on locality</b>				
Tamworth Regional	1,482	1,704	1,747	1,790
Liverpool Plains	1,202	1,250	1,281	1,313
Walcha	1,082	1,158	1,187	1,217
Mid-Coast	1,655	1,718	1,761	1,805
Warrumbungle	727	756	775	794
Mid-Western Regional	1,142	1,185	1,215	1,246
Singleton	1,409	1,469	1,506	1,544
<b>Average</b>	<b>1,476</b>	<b>1,573</b>	<b>1,612</b>	<b>1,652</b>
<b>Comparable based on SEIFA rank</b>				

Council	2024-25 (Current)	2025-26	2026-27	2027-28
Oberon	1,145	1,207	1,237	1,268
Bogan	362	377	386	396
Weddin	756	791	810	831
Forbes	1,025	1,070	1,097	1,125
<b>Average</b>	<b>928</b>	<b>972</b>	<b>997</b>	<b>1,022</b>
<b>OLG Group 11 (excluding Upper Hunter Shire Council (OLG Group 11) ) Average</b>	<b>1,071</b>	<b>1,129</b>	<b>1,177</b>	<b>1,205</b>

- a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
- b. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.
- c. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg, or if applicable, its approved SV.
- d. To derive the average rates beyond 2025-26 for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, [Time Series Data 2023-24](#); ABS, [2021 Census DataPacks](#), General Community Profile, Local Government Areas, NSW and IPART calculations.

Table 6.5 Comparison of the council's average business and farmland rates under the proposed SV

Council	Average business rate (\$)				Average farming rate (\$)			
	2024-25 (Current)	2025-26	2026-27	2027-28	2024-25 (Current)	2025-26	2026-27	2027-28
<b>Upper Hunter Shire Council (OLG Group 11)</b>	<b>1,194</b>	<b>1,313</b>	<b>1,444</b>	<b>1,589</b>	<b>4,170</b>	<b>4,587</b>	<b>5,046</b>	<b>5,550</b>
<b>Comparable based on locality</b>								
Tamworth Regional	5,012	5,763	5,907	6,055	2,680	3,082	3,159	3,238
Liverpool Plains	2,080	2,163	2,217	2,273	7,093	7,377	7,561	7,750
Walcha	1,881	2,013	2,063	2,115	8,078	8,643	8,859	9,081
Mid-Coast	4,650	4,827	4,947	5,071	1,776	1,843	1,889	1,937
Warrumbungle	2,011	2,091	2,144	2,197	3,703	3,851	3,947	4,046
Mid-Western Regional	2,583	2,681	2,748	2,817	2,949	3,061	3,137	3,216
Singleton	2,873	2,997	3,071	3,148	2,880	3,003	3,078	3,155
<b>Average</b>	<b>4,000</b>	<b>4,300</b>	<b>4,408</b>	<b>4,518</b>	<b>3,035</b>	<b>3,225</b>	<b>3,305</b>	<b>3,388</b>
<b>Comparable based on SEIFA rank</b>								
Oberon	1,215	1,281	1,313	1,346	2,407	2,537	2,600	2,665
Bogan	1,234	1,285	1,317	1,350	3,351	3,488	3,575	3,665
Weddin	1,059	1,107	1,135	1,164	2,146	2,245	2,301	2,359
Forbes	3,354	3,502	3,590	3,679	3,104	3,241	3,322	3,405
<b>Average</b>	<b>2,116</b>	<b>2,211</b>	<b>2,266</b>	<b>2,323</b>	<b>2,733</b>	<b>2,859</b>	<b>2,930</b>	<b>3,004</b>
<b>OLG Group 11 (excluding Upper Hunter Shire Council (OLG Group 11) ) Average</b>	<b>2,606</b>	<b>2,739</b>	<b>2,853</b>	<b>2,923</b>	<b>4,178</b>	<b>4,405</b>	<b>4,586</b>	<b>4,687</b>

- a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
- b. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.

- c. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg, or if applicable, its approved SV.
- d. To derive the average rates beyond 2025-26 for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.
- Source: OLG, [Time Series Data 2023-24](#); ABS, [2021 Census DataPacks](#), General Community Profile, Local Government Areas, NSW and IPART calculations

### 6.4.3 The community's capacity to pay based on socio-economic indicators

To assess the community's capacity to pay the council's proposed rates, we considered a range of indicators of socio-economic status and levels of vulnerability in the community, which is outlined in Box 6.2. We considered these indicators together with the average rate levels discussed in [section 6.4.2](#) above, and the hardship assistance available discussed in [section 6.4.5](#) below.

Residential ratepayers represent the majority of ratepayers in the Upper Hunter LGA by number of assessments. However, we note that they do not contribute the largest proportion of rates income for the council. Farmland rates account for approximately 52% of rates income for Upper Hunter Shire Council. Residential rates account for around 41% and business rates account for around 7%.<sup>53</sup> There is only one mining ratepayer in the Upper Hunter LGA.<sup>54</sup>

#### Box 6.2 How we assessed capacity to pay

To help us understand the impact of the proposed SV on residential ratepayers, we compared selected socio-economic indicators for the council's community and the comparable councils' communities, using data from the 2021 census. We also considered the council's historical hardship and outstanding rates data. These measures provide an indication of the community's ability to pay additional rates and are useful to consider together with the average rates comparisons.

#### Socio-economic indicators

We considered:

- The median income levels, and the ratio of average residential rates to median household income, which are indicators of capacity to absorb cost increases.
- The proportion of people on selected Government payments<sup>e</sup>, which could be an indicator of levels of vulnerability as recipients may generally be on lower and fixed incomes.
- The level of outright home ownership, where a higher level may indicate that a community has more capacity to pay (as more households do not need to pay mortgage or rent payments).

<sup>e</sup> These are the Age Pension, Disability Support Pension and JobSeeker Payment.

### Box 6.2 How we assessed capacity to pay

- The proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs, which can be an indicator of households experiencing cost-of-living pressures. However, putting 30% or more of a household's imputed income towards housing may not always be a sign of financial stress. A household may choose to make more mortgage repayments or reside in a more expensive area and have a sufficiently high income.

We also note that the cost of living has increased since this data was collected in the 2021 census.

### Hardship applications and outstanding rates

We collected 5 years of historical data related to a community's ability to pay rates to understand trends in the area. This included:

- how many applications for hardship assistance were made to the council
- how many ratepayers were on hardship arrangements
- the value of rates (\$) that were outstanding as at 30 June.

We note these indicators can apply to very small proportions of the population.

Table 6.6. below shows that, socio-economically, Upper Hunter Shire Council's area is in a similar position to the comparable council areas, with most indicators suggesting a slightly better ability to pay rates. In particular:

- Median income is higher in the Upper Hunter LGA than the average for comparable LGAs based on locality, OLG Group and SEIFA rank.
- The typical household in the Upper Hunter LGA spends around 1.3% of its household income on residential rates. This is less than average in comparable LGAs based on locality (1.7%) and OLG group (1.5%) but more than average in comparable LGAs based on SEIFA rank (1.2%).
- 14.3% of the council's rates were outstanding, which is higher than the average for other comparable councils based on locality, SEIFA rank and OLG group. This is outside the OLG benchmark of less than 10%.
- 10% of households in the Upper Hunter LGA meet the definition of housing cost stress. This is less than average in comparable areas based on locality (13.1%) and OLG Group (16.2%) but more than the average in comparable areas based on SEIFA ranking (8.9%).
- 36.7% of dwellings in the Upper Hunter LGA are owned outright, which is lower than in other comparable areas.

Table 6.6 Comparison of the council's socio-economic indicators

	Median annual household income (\$) <sup>a</sup>	Current average residential rates to median household income ratio (%) <sup>b</sup>	Outstanding rates and annual charges ratio (%) <sup>c</sup>	Proportion of population in receipt of select Government payments (%) <sup>d</sup>	Proportion of households that pay more than 30% of income towards housing costs <sup>e</sup>	Dwelling owned outright (%) <sup>f</sup>
<b>Upper Hunter Shire Council (OLG Group 11)</b>	<b>74,308</b>	<b>1.3</b>	<b>14.3</b>	<b>18.5</b>	<b>10.0%</b>	<b>36.7</b>
<b>Comparable councils based on locality</b>						
Tamworth Regional	73,632	1.7	8.9	20.4	13.5%	33.6
Liverpool Plains	60,580	1.9	10.9	25.5	9.9%	44.0
Walcha	63,648	1.6	5.5	21.0	8.7%	47.9
Mid-Coast	55,120	2.9	12.1	31.9	14.1%	48.1
Warrumbungle	55,536	1.3	8.5	28.1	7.6%	48.9
Mid-Western Regional	77,272	1.4	3.2	19.6	12.0%	38.9
Singleton	104,832	1.3	4.2	13.3	12.1%	31.6
<b>Average</b>	<b>70,089</b>	<b>1.7</b>	<b>7.6</b>	<b>24.8</b>	<b>13.1%</b>	<b>41.9</b>
<b>Comparable councils (IRSAD)</b>						
Oberon	74,932	1.5	15.6	18.6	10.1%	41.9
Bogan	75,088	0.5	11.0	20.2	5.5%	40.1
Weddin	54,392	1.3	12.0	27.2	6.7%	51.3
Forbes	65,468	1.5	7.2	21.3	9.9%	37.9
<b>Average</b>	<b>67,470</b>	<b>1.2</b>	<b>11.4</b>	<b>21.5</b>	<b>8.9%</b>	<b>42.8</b>
<b>Group 11 average (excluding Upper Hunter Shire Council)</b>	<b>71,399</b>	<b>1.5</b>	<b>8.8</b>	<b>15.6</b>	<b>16.2%</b>	<b>39.6</b>

a. Median annual household income is based on 2021 ABS Census data.

b. The 2024-25 average rates for comparable councils are calculated based on the OLG's time series data as at 2023-24 (latest available data) escalated by a Council's 2024-25 rate peg or approved SV, as relevant.

c. The Outstanding rates ratio (%) is derived from the OLG's Rates & Annual Charges Outstanding Percentage for the General Fund as at 2023-24 (latest available data). The formula is 'rates and annual charges outstanding (\$)' divided by 'rates and annual charges collectible (\$)'.

d. Proportion of population in receipt of select Government payments (%) is based on the total number of Age Pension, Disability Support Pension and the JobSeeker Payments divided by the estimated resident population from the 2021 ABS Data by Region.

e. Proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs payments is calculated by the following formula = (households where mortgage repayments are more than 30% of the imputed household income (no.) + households where rent repayments are more than 30% of the imputed household income (no.)) / total occupied private dwellings (no.). These measures are from the 2021 ABS Data by Region.

f. Dwelling owned outright (%) is from the 2021 ABS Data by Region.

Source: OLG, [Time Series Data 2023-24](#); ABS, [Socio-economic Indexes for Areas \(SEIFA\) 2021](#), March 2023; ABS, 2021 Data by Region, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

The council's number of overdue rates notices fell from 2019-20 for 2 years before increasing from 1194 (15.6%) in 2021-22 to 1419 (18.5%) in 2022-23. It fell slightly to 1406 (18.3%) in 2023-24.

### Box 6.3 Rates and annual charges outstanding ratio

The rates and annual charges outstanding ratio measures the impact of uncollected rates and annual charges on a council's liquidity and the adequacy of its debt recovery effort. This is defined as:

$$\text{Rates and annual charges outstanding ratio} = \frac{\text{Rates and annual charges outstanding}}{\text{Rates and annual charges collectible}}$$

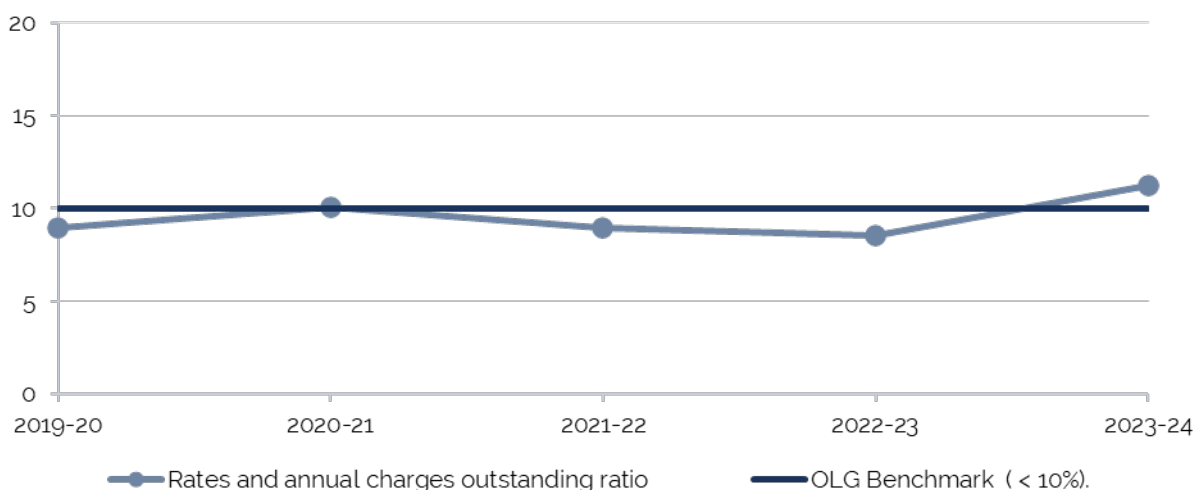
The OLG has set a benchmark for the ratio of less than 5% for metropolitan councils and less than 10% for regional and rural councils.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

We also considered the council's rates and annual charges outstanding ratio. While an annual rates and annual charges outstanding ratio above the OLG benchmark can reflect how effectively the council has managed its debt recovery efforts, it can also be an indication that a greater number of ratepayers have been unable to pay their rates on time.

As Figure 6.1 shows, the average rates and annual charges outstanding ratio across 2019-20 to 2023-24 is 9.6%. This meets the OLG benchmark of less than 10% for regional and rural councils.

Figure 6.1 The council's rates and annual charges outstanding ratio (%)



a. Note Number

Source: Upper Hunter Shire Council, Application Part A.

#### 6.4.4 Impact on farmland rates under the proposed SV

A few farmland ratepayers expressed the view that they should not be required to pay more, given that the level of service they have received from the council was often less than residents and businesses. They also raised concerns about the affordability of the rate increase as farmland profits have not been increasing.

We found the proposed average farmland rates will be higher than all comparable councils based on OLG group, SEIFA ranking and locality. The rates from farmland ratepayers make up approximately 52% of the rates income for the council.

While the distribution of the council's rates may reflect differences in land values or land use patterns, we recommend the council monitor the ongoing impact on the farming community to ensure rates remain fair and equitable.

#### 6.4.5 The council's hardship policy

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. We are satisfied that the council has a hardship policy in place to assist vulnerable ratepayers, however it has not demonstrated appropriate strategies to make its community aware about how to access this.

The hardship policy allows council personnel to reduce, waive or write off rates, fees, annual charges and interest accrued on such debts.<sup>55</sup>

We note that there has been only one applicant for hardship in the last three years.<sup>56</sup> We have concerns that despite the high percentage of rates and annual charge outstanding, the council has received a relatively small number of applications for hardship in recent years. The IPART Chair has written to the Office of Local Government recommending that they examine the council's hardship policy.

The hardship policy is available on the council website.<sup>57</sup> The council did not provide any other alternative ways the community might be able to access the policy in its application.<sup>58</sup>

Additionally, the council received very few hardship applications – only 1 hardship application in the last 3 years and only 8 in the last 5 years. 7 people were approved for the hardship policy in the last 5 years.<sup>59</sup>

The low number of applications for hardship provisions the council has received in recent years together with the relatively high percentage of rates notices that are overdue suggests that either ratepayers are unaware of the policy, see limited benefits or find the application process challenging.



## 7 Our assessment of OLG Criterion 4 - IP&R documents

OLG Criterion 4 requires the council to exhibit, approve and adopt the relevant Integrated Planning and Reporting (IP&R) documents before applying for the proposed SV.

Note: See Appendix A for the full criterion.

To assess whether the council met Criterion 4, we checked the information provided by the council.

We found that it met the criterion. It exhibited (where required), approved and adopted its IP&R documentation appropriately.

The relevant IP&R documents are described in Box 7.1.

The council:

- exhibited its current Community Strategic Plan from 28 April 2022 to 26 May 2022,<sup>60</sup> and adopted it on 27 June 2022<sup>61</sup>
- exhibited its current Delivery Program from 2 May 2024 to 31 May 2024,<sup>62</sup> and adopted it on 24 June 2024<sup>63</sup>
- exhibited its current LTFP from 3 June to 5 July 2024,<sup>64</sup> and adopted it on 29 July 2024.<sup>65</sup> However, the council incorrectly cites exhibition dates as 2 June 2024 to 15 July 2024 in its SV application, and provides an incorrect link to the LTFP.<sup>66</sup> The adopted LTFP is available on the council's [Special Variations webpage](#)
- adopted its Asset Management Strategy on 27 June 2022<sup>67</sup>
- submitted its SV application on 2 February 2025.<sup>68</sup>

### Box 7.1 Integrated Planning & Reporting documents

The IP&R framework allows councils and the community to engage in important discussions about service levels and funding priorities and to plan for a sustainable future. This framework underpins decisions on the revenue required by each council to meet the community's needs.

The relevant documents are the Community Strategic Plan, Delivery Program, Long-Term Financial Plan (LTFP), and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended) public exhibition for 28 days (and re-exhibition if further amended). Councils are also expected to post its LTFP on its website.

Source: Office of Local Government [Integrated Planning and Reporting Guidelines](#)

## 8 Our assessment of OLG Criterion 5 - Productivity and cost containment strategies

OLG Criterion 5 requires councils to explain and quantify the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the years of the proposed SV.

Councils should present their productivity improvements and cost containing strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of those measures has been incorporated in the council's Long Term Financial Plan.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholders' comments on the council's productivity and cost containment performance that we received through our feedback form and submissions. We also analysed information provided by the council on its productivity and cost containment performance and examined some key indicators of the council's efficiency.

We found that on balance the council does meet this criterion.

The council listed and quantified past productivity improvement and cost containment initiatives that saved approximately \$0.95 million per year.<sup>69</sup> We have calculated this to equate to about 2.1% of the council's total expenses annually. The application did not specify when these initiatives were enacted. However, the council stated it incorporated the impact of these initiatives into its LTFP.<sup>70</sup>

We found that the council outlines some strategies and activities for further improving its productivity and efficiency in the coming years. While the council could have more clearly described and quantified its future efficiency strategies in its LTFP, it has frameworks in place to ensure continuous improvement of processes which will contribute to future productivity initiatives and cost savings measures.<sup>71</sup>

The sections below discuss our assessment of Criterion 5 in more detail.

### 8.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART expressed that the council should:

- reduce the amount it spends on staffing, particularly in upper management
- divest non-core council assets operating at a loss to pay down debt and improve the budget position. In particular, submissions use the Scone saleyards and the Hunter Warbirds Museum as examples
- Focus on core current services and infrastructure such as road repairs rather than non-core assets and services.

Further, in our feedback form, we asked respondents how much they agree or disagree with 3 statements about the council's efficiency and communication of cost-saving strategies.

We received 552 responses. Of these, more than 80% disagreed that the council is effective in providing infrastructure and services for the community, and that the council had explained past, or future cost-saving strategies. The full results are presented in Figure C.4 in [Appendix C](#).

We have considered these concerns as part of our assessment of this criterion.

## 8.2 The council's information on realised and proposed productivity savings

The council told us it has identified past productivity improvements, with a total \$0.95 million per year in financial benefits.<sup>72</sup>

It also told us it has commenced an overall business service review for the delivery of all its services and business enterprises.<sup>73</sup> This entails the review of possible efficiency cost savings and increases in revenue streams. The council has identified that the areas where greatest improvement can be made are through road construction methodology, limiting service provision such as mowing and maintenance, or reducing operating hours of community services.

Although there is more limited information on future productivity savings, we found that the council has been taking appropriate steps to improve productivity through putting frameworks in place to support continuous efficiency and productivity improvements.<sup>74</sup>

We acknowledge that some submissions raise that the council should divest loss-making assets such as the Scone saleyards, Hunter Warbirds, Scone airport and Campbell's Corner to make productivity savings. The council submits that it has made productivity gains and cost savings on the aforementioned assets, which is covered in [Section 8.3.1](#).

## 8.3 Our analysis of the council's information on productivity savings

We analysed the information the council provided on its realised and proposed productivity improvements and cost containment strategies.

### 8.3.1 Realised productivity improvements and cost containment to date

We found that the council has made some productivity and cost containment gains to date. In its SV application, it estimates that, it has delivered \$0.95 million of annual ongoing costs savings and revenue improvements.<sup>75</sup> We have calculated this to equate to about 2.1% of the council's total expenses. However, the application does not specify when the gains were made.

The application indicates that the cost savings and productivity gains are the result of the following initiatives:<sup>76</sup>

- reviewing its structure and removing and/or downgrading a number of senior positions within the organisation
- reviewing the fee structure of regional saleyards
- reviewing the fee structure of Scone Airport
- reviewing the fee structure of Sporting Grounds
- reviewing the signage sponsorship of White Park
- new leases on commercial properties
- combining the operations and staffing structure of Hunter Warbirds & Scone Visitor Information Centre
- Lease of café and parking spot of Hunter Warbirds.

The council states that it is limited in making productivity improvements and cost containment savings for the reasons below:

- It is limited in reducing staff due to the proclamation of the Upper Hunter Shire Council amalgamation in 2004 that prohibited rural centres with less than 5000 people from reducing staff in those centres "as far as is reasonably practical".<sup>77</sup>
- The council operates a number of loss-making businesses providing services for the community where there is not a sufficiently profitable market for private operators to step in, including the aged care facility and the early childcare facility.<sup>78</sup>
- A majority of the major items within Upper Hunter Shire Council services and business entities have already been critically reviewed over the last 2 years in order to achieve savings to counteract the effects of high inflation in the economy since COVID-19.<sup>79</sup>

### 8.3.2 Proposed productivity improvement and cost containment strategies in coming years

We found that the council's application outlines some strategies and activities for further improving its productivity and efficiency in the coming years. These include:<sup>80</sup>

- a change in methodology to reduce pavement width and on-going future maintenance for the business service function of road construction
- developing and/or disposing of the council's excess land holding to benefit from additional revenue streams from either sales or leasing opportunities
- disposal of underutilised fleet items providing funds to replace aging fleet with new technology to increase productivity.

This review is ongoing and involves the council staff reviewing and highlighting any possible efficiency, cost saving and increase in revenue streams. Although we found that the LTFP lacks detailed information on the initiatives and does not clearly quantify the estimated cost savings, the council advised that it is committed to continuous improvement. To support this, it told us that:<sup>81</sup>

- it is actively refining its governance framework and project management practices to enhance the delivery of capital works projects
- a Project Control Group (PCG) is in place to oversee project delivery and resolve issues, while the council is revising its Project Management Framework (PMF) to allow for flexibility in project approaches, depending on size, complexity, and risk. This includes establishing clear governance arrangements for variations and ensuring that project management practices prioritise risk management and staff competency
- it is focused on strengthening record-keeping practices in compliance with the State Records Act and is exploring automation for consistency and efficiency in documentation
- to ensure continuous improvement, Upper Hunter Shire Council will regularly review the PMF based on feedback and lessons learned, adapting to industry standards and evolving needs. The PMF will be incorporated into the internal audit program within 12 months to evaluate its efficacy, and governance structures will be further assessed after the council election held in September 2024
- it plans to maintain the Infrastructure Services Committee (ISC) as a key platform for project oversight, providing transparent reporting and facilitating Councillor engagement in major infrastructure projects. These efforts aim to streamline processes, improve efficiency, and ensure the successful delivery of capital works.

We are satisfied on balance that the council has made reasonable productivity savings. While the council did not quantify its proposed productivity improvement and cost containment strategies for the coming years, we are satisfied that it is taking appropriate steps to further increase productivity. The council should continue to explore and implement initiatives to improve productivity and achieve further savings.

## 8.4 Indicators of the council's efficiency

We examined indicators of the efficiency of the council's operations and asset management processes, including how its efficiency has changed over time and how its performance compares with that of similar councils. This data is presented in Table 8.1 and Table 8.2 below.

We found that between 2019-20 and 2023-24, the council's:

- number of full time equivalent (FTE) staff, on average, grew by around 9 people (4.8%) each year
- average annual cost per FTE decreased by an average of \$841 (1.4%) nominal per annum
- employee costs as a percentage of operating expenditure decreased by 5.3% each year.

We also found that the council has:

- more staff per population than the Group 11 average – it has one FTE for every 56 residents, whereas the Group 11 average is one FTE for every 78.2 residents.
- higher operating expenditure per capita than the Group 11 average.

The council noted that it has more staff per population and higher operating expenditure per capita as it provides a range of non-core services including aged care, saleyards, airport, childcare and community housing.<sup>82</sup>

These performance indicators only provide a high-level overview of the council's efficiency at a point in time. Additional information would be required to accurately assess the council's efficiency and its scope for future productivity gains and cost savings.

Table 8.1 Trends in selected efficiency indicators for Upper Hunter Shire Council

Performance indicator	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual change (%)
FTE staff (number)	212	259	252	256	256	4.8
Ratio of population to FTE	67.1	54.7	56.2	55.7	56.0	-4.4
Average cost per FTE (\$)	77,340	64,023	66,929	66,438	73,133	-1.4
Employee costs as % of operating expenditure (General Fund only) (%)	34.3	30.1	31.2	26.1	27.6	-5.3

Source: OLG, [Time Series Data 2023-24](#), IPART calculations.

Table 8.2 Select comparator indicators

	Upper Hunter Shire Council	OLG Group 11 Average	NSW Average
<b>General profile</b>			
Area (km2)	8,096	6,396	5,508
Population	14,338	14,488	65,566
General Fund operating expenditure (\$m)	51.9	49	115.0
General Fund operating revenue per capita (\$)	5,313	4,386	na
Rates and annual charges revenue as % of General Fund income (%)	21.1	26	41.5
Own-source revenue ratio (%)	49.8	47	64.9
<b>Productivity (labour input) indicators</b>			
FTE staff	256.0	185.2	400.1
Ratio of population to FTE	56.0	78.2	163.9
Average cost per FTE (\$)	73,133	94,645	110,170
Employee costs as % of operating expenditure (General Fund only) (%)	27.6	31	36.3
General Fund operating expenditure per capita (\$)	3,621	3,349	1,754

Source: OLG, [Time Series Data 2023-24](#) and IPART calculations.

## 9 Our assessment of OLG Criterion 6 - Any other matter IPART considers relevant

OLG Criterion 6 provides that IPART may take into account any other matter that it considers relevant.

We consider that a relevant matter is whether the council has been granted an SV in recent years, and if so, whether the council has complied with any conditions attached to that SV.

Since IPART was delegated the function of granting SVs in 2010, IPART has approved a permanent Additional Special Variation (ASV) for the council of 2.28%, for 2022-23. However, the council failed to comply with the condition imposed on that ASV, which is to provide required reporting in the 2022-23 financial report.<sup>83</sup>

A condition of the approval is that the council in its 2022-23 annual report must outline:<sup>84</sup>

- its actual revenues, expenses, and operating results against projections provided in its ASV application
- any significant differences between its actual and projected revenues, expenses and operating results
- the additional income raised by the ASV.

The council indicated in its current SV application that it has complied with this condition. We have reviewed the council's 2022-23 annual report and have assessed that the council has not complied with this condition. Upper Hunter Shire Council has not reported on the ASV conditions in its 2022-23 annual report.<sup>85</sup>

We also note that the council did not comply with the conditions imposed by IPART on an SV of 17.87% over 3 years approved in 2013-14.<sup>f</sup>

Complying with these conditions is integral to the SV process. Reporting allows the council to be held accountable for its expenditure and the commitments it made to its community when it decided to apply for the SV. It also supports ratepayers in having confidence in their council and the special variation process.

The OLG is the body responsible for enforcing compliance with the conditions attached to SVs. The IPART Chair has written to the OLG identifying the council's failure to comply.

<sup>f</sup> One of the conditions in the 2013-14 SV was that the council reports in its annual report for each year from 2013/14 to 2022/23 on expenditure on servicing loans consistent with the council's application, and the reasons for any significant differences from the proposed expenditure and the outcomes achieved because of the actual program of expenditure. Although the [council website](#) only allows access to annual reports from 2019-20 onwards, we found that the council has not provided clear information on their compliance with the SV conditions in the reports available.

## 10 IPART's decision on the special variation

Based on our assessment of the council's application against the 6 OLG criteria and consideration of stakeholder feedback, we have approved the council's proposed permanent SV to general income from 2025-26 to 2027-28 (inclusive).

The approved increase to general income is set out in Table 10.1 below.

Table 10.1 IPART's decision on the special variation to general income (%)

	2025-26	2026-27	2027-28
Annual percentage increase (%)	10.00	10.00	10.00
Cumulative increase (%)		21.00	33.10

Source: IPART calculations.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Upper Hunter Shire Council for 2025-26* gives legal effect to this decision and sets out the conditions of approval.

### 10.1 Reasons for our decision

Currently, the council's operating expenses exceed its revenue, and without the SV, this gap would continue to worsen over the next 10 years. This is unsustainable if the council is to successfully deliver the services and infrastructure in its adopted plans.

The council satisfactorily consulted its community and provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods and provided sufficient opportunities for the community to provide feedback. Many stakeholders told us that the council's community consultation has lacked transparency. Although there were some shortcomings in the way the council considered feedback from its community, we considered overall that the council made its community aware of the proposed SV.

We acknowledge that many stakeholders told us that the proposed rate increase is likely to create affordability challenges, particularly with the current cost-of-living pressures. Our analysis found that with the SV, the council's average residential and business rates would generally be in line or lower than the averages for comparable councils based on locality, SEIFA rank and OLG group.

Our analysis of the council's indicators found that the community generally has less socio-economic disadvantage than communities in comparable council areas. This is reflected in the higher median household income, lower ratio of average residential rates to household income and a smaller proportion of the population receiving government assistance. Although we found the council has a higher outstanding rates and annual charges ratio relative to comparable councils, it has a separate rating structure for certain localities which roughly corresponds to the locality's level of disadvantage. The most disadvantaged localities also generally have lower land values resulting in lower rates.



The council demonstrated it has delivered productivity improvements and put in place cost containment strategies in the past. We also found that the council has taken steps to ensure continuous improvement of processes which will contribute to future productivity initiatives and cost savings. However, we consider the council could have more adequately quantified and described its expected future improvements.

We found that the council has not fully complied with conditions attached to past SVs. This is important, as compliance with these conditions is integral to the SV process. It allows the council to be held accountable for the commitments it made to its community when it decided to apply for the SV and provides ratepayers confidence in their council.

The OLG is the body responsible for enforcing compliance with the conditions attached to SVs. The IPART Chair has written to the OLG identifying the council's failures to comply with past SV conditions. We will also consider this matter in assessing any future SV applications it makes

We have put conditions on the special variation.

The approved special variation is subject to the following conditions:

- The council use the additional income for the purpose of funding the proposed program (see Table B.2 in appendix B).
- The council report in its annual report for each year from 2025-26 to 2032-33 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program in Table B.2
  - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences
  - the outcomes achieved as a result of the additional income
  - whether or not the council has implemented the productivity improvements as set out in Appendix B, and
    - i if so, the annual savings achieved through these measures, and what these equate to as a proportion of the council's total annual expenditure, and
    - ii if not, the rationale for not implementing them
  - any other productivity and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure.

## 10.2 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 10.2 below.

This shows that from 2025-26 to 2027-28, if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by \$323 or 33.10%
- the average business rate would increase by \$395 or 33.10%
- the average farmland rate would increase by \$1,380 or 33.10%
- the average mining rate would increase by \$47,522 or 33.10%.

**Table 10.2 Indicative annual increases in average rates under the approved SV (2024-25 to 2027-28)**

	<b>2024-25 (Current)</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>Cumulative increase</b>
Residential average rates (\$)	975	1,073	1,180	1,298	
\$ increase		98	107	118	323
% increase		10.00	10.00	10.00	33.10
Business average rates (\$)	1,194	1,313	1,444	1,589	
\$ increase		119	131	144	395
% increase		10.00	10.00	10.00	33.10
Farmland average rates (\$)	4,170	4,587	5,046	5,550	
\$ increase		417	459	505	1,380
% increase		10.00	10.00	10.00	33.10
Mining average rates (\$)	143,571	157,928	173,721	191,093	
\$ increase		14,357	15,793	17,372	47,522
% increase		10.00	10.00	10.00	33.10

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.  
Source: Upper Hunter Shire Council, Application Part A and IPART calculations.

## 10.3 Impact on the council

Our decision means that the council may increase its general income by \$1.30 million in 2025-26, \$1.43 million in 2026-27, and \$1.57 million in 2027-28. These increases can remain in the rates base permanently.

Table 10.3 shows the percentage increases we have approved and estimates of the annual increases in the council's permissible general income.

Table 10.3 Permissible general income of council from 2025-26 to 2027-28 from the approved SV

	2025-26	2026-27	2027-28
Increase approved (%)	10.00	10.00	10.00
Cumulative increase approved (%)		21.00	33.10
Increase in PGI (\$'000)	1,297.5	1,427.3	1,570.02
Cumulative increase in PGI (\$'000)		2,724.8	4,294.85
PGI (\$'000)	14,272.9	15,700.2	17,270.25

Source: IPART calculations.

This extra income will enable the council to:

- achieve a fully funded operating position
- maintain sufficient cash reserves
- maintain its asset base so it is 'fit for purpose'
- have an appropriately funded capital program.<sup>86</sup>

With the SV, the council's projected:

- OPR will improve and reach around 2% in 2027-28 in line with the OLG benchmark of greater than 0% – as shown in Figure 4.1 in [Chapter 4](#)
- net cash to income ratio, which is currently projected to decline, will improve and reach -1.1% in 2034-35 – as shown in Figure 4.2 in [Chapter 4](#).

# Appendices

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## A Assessment criteria

### A.1 Special Variations assessment materials

The Office of Local Government (OLG) sets the criteria for assessing special variation applications in its special variation guidelines. The guidelines help councils prepare an application to increase general income by means of a special variation.

A special variation allows a council to increase its general income above the rate peg. Special variations can be for a single year or over multiple years and can be temporary or permanent.

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the 6 criteria for a special variation include:

1. the need for, and purpose of a different revenue path for the council's General Fund must be clearly set out and explained in the council's IP&R documents
2. there must be evidence that the community is aware of the need for and extent of a proposed rate rise
3. the impact on affected ratepayers must be reasonable
4. the relevant IP&R documents must be exhibited (where required) approved and adopted by the council
5. the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
6. any other matter that IPART considers relevant.

We also provide comprehensive guidance on our approach to assessing special variation applications. This includes information for councils on our expectations of how to engage with its community on any proposed rate increases (see our [guidance booklet](#)).

#### Criterion 1: Financial need

**The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents**, in particular its Delivery Program, Long-Term Financial Plan and Asset Management Plan where appropriate.

In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long-Term Financial Plan applying the following two scenarios:<sup>9</sup>

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and

<sup>9</sup> OLG, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013, p 71

- Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish the community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criterion, IPART will also consider whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the *Local Government Act*. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

## Criterion 2: Community awareness

**Evidence that the community is aware of the need for and extent of a rate rise.** The Delivery Program and Long-Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV. Council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART [fact sheet](#) includes guidance to councils on the community awareness and engagement criterion for special variations.

## Criterion 3: Impact on ratepayers is reasonable

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

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

In assessing the impact, IPART may also consider:

- Socio-Economic Indexes for Areas (SEIFA) data for the council area; and
- Whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the *Local Government Act*.

#### Criterion 4: IP&R documents are exhibited

**The relevant IP&R documents<sup>h</sup> must be exhibited (where required), approved and adopted by the council** before the council applies to IPART for a special variation to its general income. We expect that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

#### Criterion 5: Productivity improvements and cost containment strategies

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

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council's Long-Term Financial Plan.

#### Criterion 6: Any other matter that IPART considers relevant

**Any other matter** that IPART considers relevant.

The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART.

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<sup>h</sup> The relevant documents are the Community Strategic Plan, Delivery Program, and Long-Term Financial Plan and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended), public exhibition for 28 days. It would also be expected that the Long-Term Financial Plan (General Fund) be posted on the council's web site.

## B Upper Hunter Shire Council projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report until 2032-33 against its proposed SV expenditure and projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2) It also needs to report on its progress against productivity improvements and cost containment strategies that it set out in its application and as summarised below.

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. To isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

### Productivity improvements and cost containment strategies

Our analysis of the council's productivity and cost containment can be found in [Chapter 8](#) of this report.

As set out in the council's response in section 7.3(a) of its SV application Part B, it included:

- Productivity and cost containment gains to date which are estimated to deliver \$0.95 million of annual ongoing costs savings and revenue improvements.<sup>87</sup> We have calculated this to equate about 2.1% of the council's total expenses.
- Some strategies and activities for further improving its productivity and efficiency in the coming years. These include:<sup>88</sup>
  - a change in methodology to reduce pavement width and on-going future maintenance for the business service function of road construction
  - developing and/or disposing of Council's excess land holding to benefit from additional revenue streams from either sales or leasing opportunities
  - disposal of underutilised fleet items providing funds to replace aging fleet with new technology to increase productivity.



Table B.1 Long-Term Financial Plan - Summary of projected operating statement for Upper Hunter Shire Council under its proposed SV application (\$'000)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Total revenue	63,119	49,141	52,056	47,457	48,627	49,778	50,958	52,167	53,405
Total expenses	44,400	45,621	46,577	47,812	48,808	50,003	50,916	52,161	52,974
Operating result from continuing operations	18,719	3,520	5,478	-355	-181	-225	42	6	431
Net operating result before capital grants and contributions	-2,750	-1,822	-514	-587	-413	-457	-190	-226	199
Cumulative net operating result before capital grants and contributions	-2,750	-4,572	-5,086	-5,673	-6,087	-6,543	-6,734	-6,960	-6,761

Note: Numbers may not add due to rounding.

Source: Upper Hunter Shire Council, Application Part A, Worksheet 10 and IPART calculations.

Table B.2 Proposed Program - Summary of projected expenditure plan for Upper Hunter Shire Council under its proposed SV application (\$)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Fund additional asset maintenance	0	500	500	500	500	500	500	500	500	500
Fund delivery of current services (fund operating deficits)	739,597	1,706,257	2,841,901	2,920,811	2,993,068	3,067,894	3,144,592	3,223,207	3,303,787	3,386,453
Fund additional asset renewal	0	0	581	1,274	2,082	2,147	2,213	2,280	2,350	2,350

Note: Numbers may not add due to rounding.

Source: Upper Hunter Shire Council, Application Part A, Worksheet 8 and IPART calculations.

## C Results of IPART's public consultation feedback form

As part of our stakeholder engagement, we published a survey-style feedback form that asked respondents 15 questions relating to:

- their support or opposition to the council's SV application
- their views on the affordability of the proposed SV
- their awareness of the proposed SV, and
- their views on the council's past and proposed cost management strategies.

We accepted responses for 4 weeks from 25 February 2025 to 24 March 2025.

We received 552 responses on Upper Hunter Shire Council's SV application.

Some results are presented in Chapter 3 of this report and throughout our assessment in chapters 3 – 6, as relevant. This appendix provides the results for questions about affordability, awareness of the SV, and council's past and proposed cost management strategies. It also provides the breakdown of the categories of ratepayers that responded.

We note that while this was a survey-style feedback form, it was not a statistically representative survey. Respondents were able to self-select to provide feedback and the results may not be representative of the whole community's views.

Table C.1 Reasons that respondents said they might oppose the proposed SV

Reasons for opposing the proposed rate increase	Number of responses	Percentage of responses
Cost of living pressures are too high to afford a rate increase	439	80%
The Council has not been effectively managing its budget	490	89%
The Council is not effectively managing its infrastructure	439	80%
I disagree with the purpose of the proposed rate increase	312	57%
I disagree with the size of the proposed rate increase	399	72%
I disagree with the proposed rates structure	236	43%
I have other concerns that are not listed here	143	26%
I have no concerns with the proposed rate increase	15	3%

We received 552 responses to our feedback form and 37 total submissions of which 25 were not confidential. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

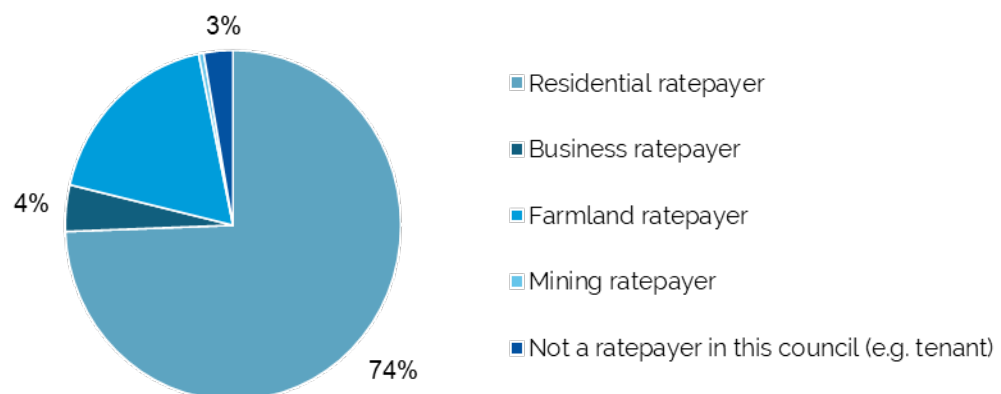
Table C.2 Reasons that respondents said they might support the proposed SV

Reasons for supporting the proposed rate increase	Number of responses	Percentage of responses
Current infrastructure needs to be fixed or upgraded with increased funding	138	25%
Current services are inadequate and need more funding	108	20%
I recognise that the council has financial sustainability issues which the funding will help address	122	22%
I agree with the purpose of the special variation	15	3%
I agree with the proposed rates structure	9	2%
I have other reasons for supporting the proposal not listed here	11	2%
I have no reasons to support the proposed rate increase	316	57%

Note: We received 552 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

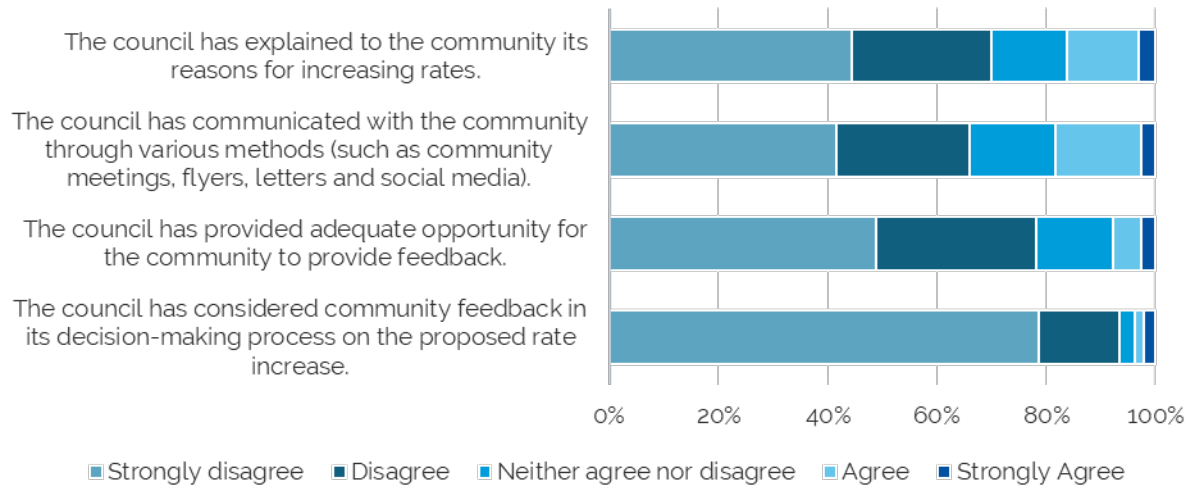
Figure C.1 Respondent ratepayer types



Note: The total number of responses for each question was 552. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.

Source: IPART

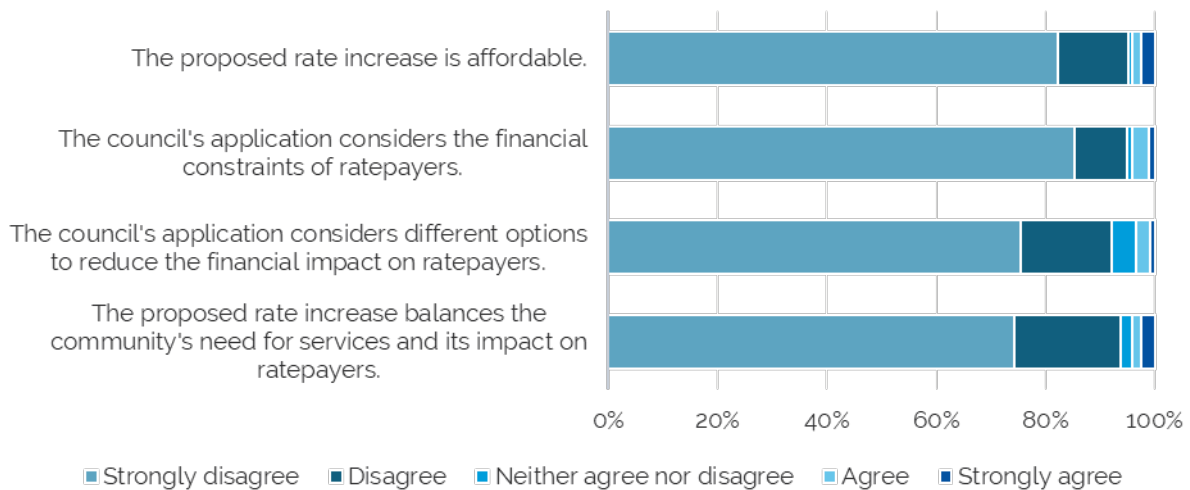
Figure C.2 Responses to questions about awareness and understanding of the proposal



Note: The total number of responses for each question was 552. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

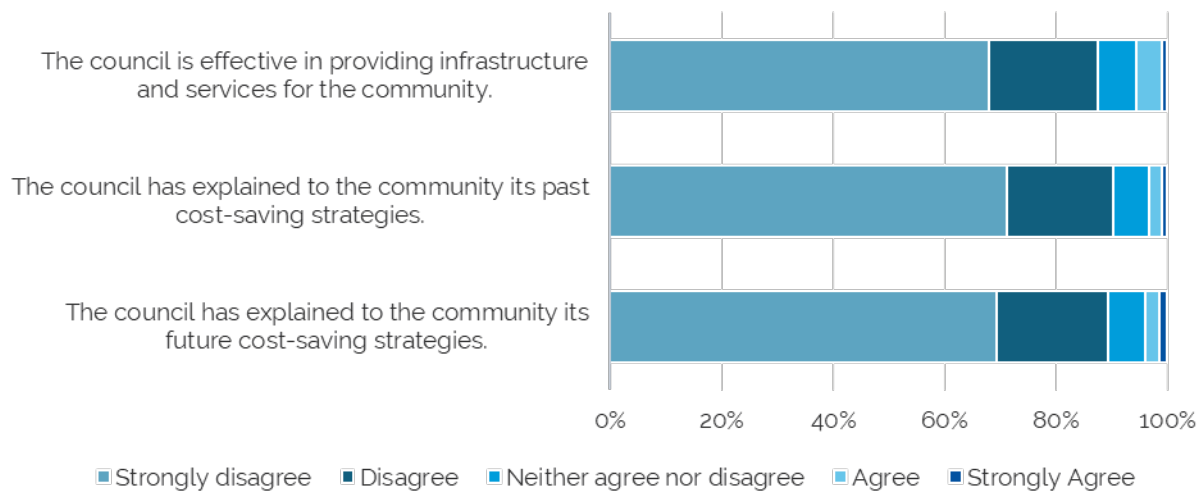
Figure C.3 Responses to questions about affordability



Note: The total number of responses for each question was 552. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

Figure C.4 Responses to questions about the council's cost-saving strategies



Note: The total number of responses for each question was 552. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.  
Source: IPART

## D Glossary

Term	Meaning
ABS	Australian Bureau of Statistics
ASV	<a href="#">Additional Special Variation</a> . This was a one-off round of special variations of up to 2.5% available to councils in 2022-23 in response to a rate peg that was lower than councils expected in a high inflation environment. Applications were assessed against a special set of criteria developed by the OLG.
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
IP&R	Integrated Planning & Reporting
Local Government Act	<i>Local Government Act 1993 (NSW)</i>
OLG	The Office of Local Government
OLG SV Guidelines	<a href="#">Guidelines for the preparation of an application for a special variation to general income</a> .
OPR	The Operating Performance Ratio (OPR) measures whether a council's income will fund its costs, where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.
PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower than the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the <i>Local Government Act 1993</i> .
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSAD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

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- <sup>1</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, pp 3-4.
  - <sup>2</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 5.
  - <sup>3</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 12-13.
  - <sup>4</sup> Upper Hunter Shire Council, [Instrument - Upper Hunter Shire Council permanent s 508\(2\) ASV instrument 2022-23](#), June 2022.
  - <sup>5</sup> Upper Hunter Shire Council, [2022-2023 Annual Report](#), October 2024.
  - <sup>6</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), p 11.
  - <sup>7</sup> [Local Government Act 1993 \(NSW\)](#), Section 511.
  - <sup>8</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 5.
  - <sup>9</sup> Upper Hunter Shire Council, [Application form part A](#), WS5 – Yrs 2-7 Yield.
  - <sup>10</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 21.
  - <sup>11</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 22.
  - <sup>12</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 23.
  - <sup>13</sup> Upper Hunter Shire Council, [Hardship Policy](#), May 2021, p 2.
  - <sup>14</sup> Upper Hunter Shire Council, [Application form part A](#), WS4 – PGI Summary.
  - <sup>15</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), p 3.
  - <sup>16</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 1.
  - <sup>17</sup> Upper Hunter Shire Council, [2022-2025 Delivery Program and 2024-2025 Operating Plan](#), June 2024, p 19.
  - <sup>18</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 5.
  - <sup>19</sup> Office of Local Government, [Performance Benchmarks](#), May 2020.
  - <sup>20</sup> Upper Hunter Shire Council, [Application Part A](#), WS9 – Financials.
  - <sup>21</sup> Upper Hunter Shire Council, [Annual Report 2023-2024 Financial Statements](#), October 2024, p 28.
  - <sup>22</sup> Upper Hunter Shire Council, [Annual Report 2023-2024 Financial Statements](#), October 2024, p 28.
  - <sup>23</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 25.
  - <sup>24</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 5.
  - <sup>25</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#), July 2024, p 16.
  - <sup>26</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#), July 2024, p 22.
  - <sup>27</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 11-15.
  - <sup>28</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, pp 37-47.
  - <sup>29</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, p 22.
  - <sup>30</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, p 40.
  - <sup>31</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, p 40.
  - <sup>32</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#), July 2024, p 19.
  - <sup>33</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, pp 9-12.
  - <sup>34</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, p 3.
  - <sup>35</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, pp 9-12.
  - <sup>36</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, pp 13-15.
  - <sup>37</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, p 13.
  - <sup>38</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, pp 17-20.
  - <sup>39</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, pp 18-19.
  - <sup>40</sup> Upper Hunter Shire Council, [SRV Community Engagement Outcomes Report](#), July 2024, pp 17-20.
  - <sup>41</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 21.
  - <sup>42</sup> Upper Hunter Shire Council, [Application Part A](#), February 2025, WS12, Row 58.
  - <sup>43</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#), July 2024, p 20.
  - <sup>44</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 16.
  - <sup>45</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 21.
  - <sup>46</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 22.
  - <sup>47</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 23.
  - <sup>48</sup> Upper Hunter Shire Council, [Application Part A](#), February 2025, WS3.
  - <sup>49</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 22-23.
  - <sup>50</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 16-21.
  - <sup>51</sup> Upper Hunter Shire Council, [SRV Affordability Analysis](#), February.
  - <sup>52</sup> Office of Local Government, [Australian Classification of Local Governments and OLG group numbers](#).
  - <sup>53</sup> Upper Hunter Shire Council, [Application Part A](#), February 2025, WS3.
  - <sup>54</sup> Upper Hunter Shire Council, [Application Part A](#), February 2025, WS3, Cell D47.
  - <sup>55</sup> Upper Hunter Shire Council, [Hardship Policy](#), May 2021, p 2.
  - <sup>56</sup> Upper Hunter Shire Council, [Application Part A](#), February 2025, WS12, Row 71.
  - <sup>57</sup> Upper Hunter Shire Council, [Hardship Policy](#), May 2021.
  - <sup>58</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 25.
  - <sup>59</sup> Upper Hunter Shire Council, [Application Part A](#), February 2025, WS12.
  - <sup>60</sup> Upper Hunter Shire Council, [26 April 2022 Council Meeting Minutes](#), p 5.
  - <sup>61</sup> Upper Hunter Shire Council, [27 June 2022 Council Meeting Minutes](#), p 4.
  - <sup>62</sup> Upper Hunter Shire Council, [29 April 2024 Council Meeting Minutes](#), p 4.
  - <sup>63</sup> Upper Hunter Shire Council, [24 June 2024 Council Meeting Minutes](#), p 4.
  - <sup>64</sup> Upper Hunter Shire Council, [27 May 2024 Council Meeting Minutes](#), p 4.
  - <sup>65</sup> Upper Hunter Shire Council, [29 July 2024 Council Meetings Minutes](#), p 4.
  - <sup>66</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 28.

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- <sup>67</sup> Upper Hunter Shire Council, [27 June 2022 Council Meeting Minutes](#), p 3.
- <sup>68</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 1.
- <sup>69</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 12-13.
- <sup>70</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#), July 2024, p 16.
- <sup>71</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 34.
- <sup>72</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 12-13.
- <sup>73</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 11.
- <sup>74</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 34.
- <sup>75</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 12-13.
- <sup>75</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 14-15.
- <sup>76</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 12-13.
- <sup>76</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 14-15.
- <sup>77</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 30.
- <sup>78</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 6.
- <sup>79</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 14.
- <sup>80</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 14.
- <sup>81</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 34.
- <sup>82</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 35.
- <sup>83</sup> Upper Hunter Shire Council, [Instrument - Upper Hunter Shire Council permanent s 508\(2\) ASV instrument 2022-23](#), June 2022.
- <sup>84</sup> Upper Hunter Shire Council, [Instrument - Upper Hunter Shire Council permanent s 508\(2\) ASV instrument 2022-23](#), June 2022.
- <sup>85</sup> Upper Hunter Shire Council, [2022-2023 Annual Report](#), October 2024.
- <sup>86</sup> Upper Hunter Shire Council, [Application Part B](#), February 2025, p 5.
- <sup>87</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 12-13.
- <sup>87</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, pp 14-15.
- <sup>88</sup> Upper Hunter Shire Council, [2024-2034 Long Term Financial Plan](#) (Appendix A), July 2024, p 14.



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