



Special Variation Application Form Part B

Hornsby Shire Council

Application Form

2023-2024

Local Government >>



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The Independent Pricing and Regulatory Tribunal (IPART)

Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

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

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



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Council information

Council name Hornsby Shire Council

Date submitted to IPART 2 February 2023

About this application form

IPART has revised the Application Form to be completed by councils applying for a special variation (SV) to general income for 2023-24 under section 508(2) or 508A of the *Local Government Act 1993* (LG Act). The application form is in two parts:

- Special Variation Application Form Part A (separate Excel spreadsheet)
- Special Variation Application Form Part B (this MS Word document)

The SV Application Form Part B consists of:

- Description and Context Questions
- Criterion 1: Need for the variation
- Criterion 2: Community awareness and engagement
- Criterion 3: Impact on ratepayers
- Criterion 4: IP&R documents
- Criterion 5: Productivity improvements and cost containment strategies
- Criterion 6: Other relevant matters
- Council certification and contact information
- List of attachments

When completing this Application Form, councils should refer to the following:

- Apply for an SV or minimum rates (MR) increase page of IPART's [website](#)
 - Fact Sheet – Special Variations in 2023-24
 - Information paper – Special Variations in 2023-24
 - Information paper – Community awareness and engagement for special variations

The Office of Local Government (OLG) [SV Guidelines](#) issued in November 2020.

Preparing your application

How much information should a council provide?

While the criteria for all types of SVs are the same, the OLG Guidelines state that the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size and complexity of the variation sought.

Attaching supporting material

We encourage councils when filling in this Application Form to present data in tables or summaries and include full versions of documents as attachments. Responses in the text boxes should clearly cross-reference where the information is located in the supporting documents attached to the council's application. Extracts included in the responses in this application from Integrated Planning & Reporting framework (IP&R) documents and consultation material should be succinct and selected for relevance and significance.

Confidential content in supporting material

IPART will post all applications (excluding confidential content) on the IPART website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, or a document such as a council working document that does not have formal status, or a document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as **CONFIDENTIAL**. To protect confidential details in submissions from ratepayers, either redact or submit as a confidential attachment (see List of attachments).

Submitting the application online

Applications must be submitted through IPART's Council Portal by close of business on Friday, 3 February 2023.

- A file size limit of 10MB applies to the Application Form Part B.
- For supporting documents (Attachments) a file size limit of 400MB applies to public documents, and another 200MB to confidential documents.

Contact Arsh Suri on (02) 9113 7730 for assistance with using the Council Portal.

Publishing the council's application

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

Description and Context

These questions seek information not tied to a specific criterion in the OLG guidelines. Councils should provide a response where the Question is relevant to its application.

Question 1: What is the type and size of the special variation the council is applying for?

In the checkbox and Table 1, please indicate the type of the proposed SV - section 508(2) or 508A the council is requesting and:

- specify the percentage increases in each of the years in which the SV is to apply,
- the cumulative increase for a section 508A SV, and
- whether the SV is to be permanent or temporary.

A year is within the SV period if it is a year in which the council is proposing an increase of income that is not the rate peg. For example, if a proposal was for a permanent SV of 10% in each year of the next 2-years then 2023-24 and 2024-25 would be within the SV period. If the proposal was for a temporary SV of 8% for 2023-24 to be retained in the rate base for 5 years, the SV period would be 2023-24 only.

Provide select the proposed SV type using the checkbox and complete Table 1.

Special variation type	<input type="checkbox"/> Section 508(2)	<input checked="" type="checkbox"/> Section 508A
Permanent or Temporary	<input checked="" type="checkbox"/> Permanent	<input type="checkbox"/> Temporary

Table 1 The council's proposed special variation

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Is this year in the SV period?	yes	yes	yes	yes	no	no	no
Percentage increase (including the rate peg)	8.5%	7.5%	6.5%	5.5%			
Cumulative percentage increase over the SV period for s 508A (including the rate peg)	31.05%						

Note: Please leave the percentage increase value blank for years that are outside of the SV period.

Note 2: The cumulative percentage increase is the total increase in rates over the SV period. For example, a permanent multi-year SV of 10% in 2023-24 and 15% in 2024-25 would be a cumulative increase of 26.5% over the SV period.

Question 2: What is the key purpose of the requested special variation?

In the **text box** indicate at the highest level (that is, the shortest possible summary) the key purpose(s) of the proposed SV. The purposes could include one, or a combination of:

- improving financial sustainability

- maintaining existing services and service levels generally
- providing new or enhanced services or service levels for specific council operations
- implementing new projects or activities, e.g. environmental works
- reducing infrastructure backlogs for asset maintenance and/or renewals
- investing in new assets
- contributing to projects of regional significance
- meeting special cost pressures faced by the council
- meeting the shortfall where contributions for local infrastructure are capped.

This section should also include an outline of the key steps undertaken in reaching a decision to make an application.

The key purpose of the requested special variation is to:

- Improve financial sustainability
- Maintain existing services and service levels generally
- Reduce infrastructure backlogs for asset maintenance and/or renewals, and
- Implement new projects or activities (currently unfunded priority initiatives from Council's endorsed strategic documents and supported by the Community Strategic Plan *Your vision | Your future 2032*).

Council ensures its ongoing financial sustainability through strategic management of its assets and through short, medium and long term financial planning (Attachment 2, p.46).

In reaching a decision to make an application, Council undertook the following key steps:

- Identified the need for a Special Variation for Council to remain financially sustainable through the process of developing its 2022-2026 Delivery Program (including the 2022/23 Operational Plan) and 2022-32 Long Term Financial Plan. (Attachments 3, 4 and 5)
- Reviewed the key financial assumptions and indices to ensure that long term projections were realistic and reflected the best assumptions available. (Attachment 4)
- Reviewed the Asset Management Strategy to ensure that it reflected Council's current requirements and associated costs of maintaining and renewing assets considering community expectations. (Attachment 6)
- Modelled a variety of options for the Special Variation
- Developed a Community Engagement Action Plan for the Special Variation to ensure a robust engagement process. (Attachment 14)
- Conducted a series of workshops with Councillors and staff throughout the development of Council's currently endorsed Integrated Planning and Reporting documents, including a review for the modelled options and determination of the preferred Special Variation and community engagement approach
- Undertook the planned community engagement process with regular review and adjustment based on feedback from the community, including utilising external consultants to advise on the options and the communities capacity to pay . (Attachment 14)
- Reviewed and documented community feedback (Attachment 15), and modelled additional Special Variation options based on the feedback.

- Resolved to proceed with the Special Variation application based on an assessment of all of the above information. (Attachment 1)

Question 3: Is the council proposing to increase minimum rates in conjunction with the special variation?

Complete this question if the council proposes to increase minimum ordinary or special rates in conjunction with the SV for 2023-24.

Councils may have to submit a separate application for an increase to MR in addition to applying for the SV.

A separate MR increase application is needed in the following circumstances:

- The council is currently charging a minimum ordinary rate *at or below the statutory limit*, and intends, as part of implementing the SV, to apply a lower, higher or the same percentage increase as the requested SV percentage, which would result in a minimum rate in any rating category or sub-category *exceeding the statutory limit* for the first time.
- The council is already charging a minimum ordinary rate *above the statutory limit*, and the council is seeking to increase a MR by a percentage *higher than* the proposed SV percentage increase for any year.
- The council proposes to charge a special rate (other than a water supply or sewerage special rate) above \$2.
- The council already has approval from IPART to charge a special rate (other than a water supply or sewerage special rate) above \$2 and proposes to increase the amount of that rate.

In these situations, councils should complete Minimum Rate Application Form Part B 2023-24 (Word document) available on our website [here](#).

Councils **do not need** to submit a separate MR increase application if, in conjunction with the special variation, the proposed increase to minimum rates would result in minimum rates in all rating categories and/or sub-categories still being *at or below the statutory limits*.

To respond to this question, councils need only to provide the summary information required in the **question box**.

IPART will rely on data in the SV Application Form Part A and the MR Increase Application Form Part A for detailed information about how the proposed SV would increase minimum amounts of rates.

If the increase applies to an ordinary rate, complete this section

Does the council have an ordinary rate(s) subject to a minimum amount? Yes

Does the council propose to increase the minimum amount of its ordinary rate(s) above the statutory limit for the first time? No

Which rates will the increases apply to?	Business
If the increase will apply to only some subcategories, specify	All sub-categories
Does the council propose to increase the minimum amount of its ordinary rate(s)? if so, by what percentage?	Special variation percentage 31.05% over four years in line SV.
What will the minimum amount of the ordinary rate(s) be after the proposed increase?	\$819.00
Has the council submitted an application for a minimum rate increase?	No

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

Does the council propose to increase the minimum amount of a special rate above the statutory limit?	No
What will the minimum amount of the ordinary rate(s) be after the proposed increase?	\$n/a
Has the council submitted an application for a minimum rate increase?	No

The council must ensure that it has submitted MR Increase Application Form Parts A and Part B, if required.

Question 4: Does the council have an expiring special variation?

If the council has an expiring SV, IPART requires additional information to ensure the Instrument approving a new SV accurately calculates the amount the council has to remove from its general income before applying any adjustment to the council's general income which may be approved.

OLG's SV Guidelines specify that councils must contact OLG to confirm the calculation of the amount to be deducted from the council's general income for the expiring SV.

Complete this question if the council has a temporary SV which is due to expire:

- on 30 June 2023, or
- at the end of a later year in the period the requested SV would apply.

The council must calculate the amount to be removed from general income when the SV expires in accordance with the method explained in Attachment 1 to the SV Guidelines. It should also seek confirmation of this calculation from OLG and attach OLG's advice to the Application Form.

Provide the information as requested in the question boxes.

Does the council have an SV which is due to expire on 30 June 2023? No

Does the council have an SV which is due to expire at some time during the period for which the new SV is being requested? No

If Yes to either question: Click or tap here to enter text.

a. When does the SV expire?

b. What is the percentage to be removed from the council's general income? Click or tap here to enter text.

c. What is the dollar amount to be removed from the council's general income? Click or tap here to enter text.

Has OLG confirmed the calculation of the amount to be removed? Choose an item.

Attachments required:

- Instrument(s) approving any SV which expires at the end of the current financial year or during the period covered by the proposed SV.
- OLG advice confirming calculation of the dollar amount to be removed from general income as a result of the expiring SV.

Question 5: Does the council have an existing (ongoing) section 508A special variation which applies in 2023-24?

Complete this question if the council has an existing section 508A multi-year SV instrument which approves an increase to general income above the rate peg for 2023-24 and future years within the period covered by the council's SV application.

If the council has an ongoing section 508A SV and is seeking additional changes to general income during the term of that existing SV, IPART will need to vary the original instrument if the additional SV is approved, rather than issuing an additional SV instrument to apply for 2023-24 (or later years).

The council should understand that by completing this application form and seeking a further change to the council's revenue path, it is, in effect, applying to IPART to vary the original instrument.

IPART will assess the application using the same criteria (see Criteria 1 to 6 in this SV Application Guide and the SV Guidelines), as for any application for a new SV.

While IPART's assessment will typically focus on the additional percentage increase sought, we may also consider whether it is appropriate to maintain the existing component of the section 508A SV, especially in light of any circumstances which are materially different from those in place when the original increase was approved.

OLG's SV Guidelines (Section 6) set out the list of factors which IPART may take into account when assessing an SV application, one of which is compliance with conditions in instruments approving previous SVs. When assessing applications for SVs in 2023-24, IPART will also take into consideration the council's compliance with conditions in instruments approving SVs in the previous five years.

The council's application should be clear about whether the information provided is in relation to the incremental increase being sought or the total cumulative increase that would be reflected in a varied instrument if the additional increase is approved.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

Does the council have a section 508A multi-year SV instrument that applies in 2023-24?	No
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If yes to the above question, in the text box:

- Specify the percentage increase(s) and duration of the SV.
- Outline the council's actions in complying with conditions in the instrument approving the original SV.
- Describe any significant changes relevant to the conditions in the instrument since it was issued.

[Click here to enter text.](#)

Attachments required:

- A copy of the SV instrument.
- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument.
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument.

Question 6: Has IPART approved a special variation for the council in the past five years?

When assessing applications for SVs in 2023-24 IPART will take into consideration the council's compliance with conditions in SV instruments approved in the previous five years. OLG's SV Guidelines (Section 6) sets out additional factors which IPART may take into account when assessing an SV application, one of which is compliance with conditions in instruments approving previous SVs.

Complete this question only if IPART has approved an SV for the council in the past five years.

You **do not need** to complete the text box for this question if the relevant information has been provided in the council's response to Question 5.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

Does the council have a section 508(2) or 508A SV which IPART has approved in the past five years?	Yes
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If yes to the above question, in the text box, for each SV approved in the past five years, briefly:

- Specify the type of SV and the increase to general income approved.
- Outline the council's actions in complying with conditions in the SV instrument(s).
- Describe any *significant* changes relevant to the conditions in the SV instrument(s) since it was issued.

IPART approved a permanent Additional Special Variation (ASV) under s508(2) of the Local Government Act for Hornsby Shire Council of 2.28%, inclusive of the initial 0.7% rate peg announced for 2022-23. This was approved under the ASV process announced in 2022 and did not require the full Special Variation application process.

Attachment 16 - Hornsby Shire Council - ASV Instrument - permanent s508(2) 2022-23 is the instrument approving this ASV. Conditions of the ASV included that Council report on actual revenues, expenses and operating results against those projected in the application in the 2022-23 annual report, as well as the reasons for any significant differences. These conditions remain unchanged and are scheduled to be actioned at the end of the 2022-23 financial year.

Attachments required:

- A copy of the relevant instrument(s) approving SVs issued by IPART in the past five years.
- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument(s).
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).

Question 7: Does a project to be funded by the special variation require a capital expenditure review?

Complete **the question box** if the council intends to use any of the additional general income the council would receive if IPART approves the SV to undertake major capital project(s) which require a capital expenditure review.

OLG's [Capital Expenditure Guidelines](#) require a capital expenditure review for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is greater.

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

Is a capital expenditure review required for a project to be funded by the proposed SV r in accordance with OLG's Capital Expenditure Guidelines?	No
If Yes, has a review been done and submitted to OLG?	Choose an item.
If yes, has the review been included as an attachment to this application?	Choose an item.

Question 8: Does the council have deferred general income increases available to it?

Complete **the question box** if council has decided not to apply the full percentage increases to general income available to it in one or more previous years under sections 506, 508(2) or 508A of the LG Act.

Section 511 of the LG Act was amended in 2020 to allow councils to catch-up any deferred general income increases over a period of 10 years.

In assessing this criterion, IPART will take into account whether a council has a large amount of revenue yet to be caught up over the next several years, and it should explain in its application how that impacts on its need for the SV.

Does the council have deferred general income increases available to it from one or more previous years under section 511 of the LG Act?	No
If Yes, has the collection of this additional income been included in the Council's Long Term Financial Plan (LTFP)?	Choose an item.

In the text box explain:

a. The quantum, rationale and timing of any deferred increases in general income.

[Click here to enter text.](#)

b. When council plans to catch up on the deferred general income through the catch up provisions and whether this been included in the LTFP.

[Click here to enter text.](#)

c. How does this deferred income impact on the council's need for the SV and its cumulative impact on ratepayers' capacity to pay?

[Click here to enter text.](#)

Criterion 1 – Need for the Special Variation

Criterion 1 in the SV Guidelines is:

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

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

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

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

In assessing this criteria, IPART will also take into account 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.

The response to this criterion should summarise the council's case for the proposed SV. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise). You should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Information and financial analysis contained in the council's IP&R documents and its application should demonstrate the financial need for the proposed SV. IPART will undertake its own analysis of the council's financial performance under scenarios with and without the SV, as explained in Box 1. The council's response to criterion 1 should use the terminology included in Box 1

Box 1 IPART analysis of financial need using information in the council's application for a special variation

IPART uses information provided by the Council in its application to assess the impact of the proposed SV on the Council's financial performance and financial position in relation to its operating result and infrastructure spending.

Based on the Council's application and LTFP (where appropriate), we calculate financial forecasts under three scenarios:

1. **The Proposed SV Scenario** – which includes the Council's proposed SV revenue and expenditure.
2. **The Baseline Scenario** – which shows the impact on the Council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
3. **The Baseline with SV expenditure Scenario** – which 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.

Case for special variation – How did the council establish the need for the special variation?

In the table below, please provide a short summary of what the council published in its IP&R documents that show that the council meets each component of criterion 1. Please also provide a reference to where in the IP&R documents this evidence can be found. The answers to these questions should explain:

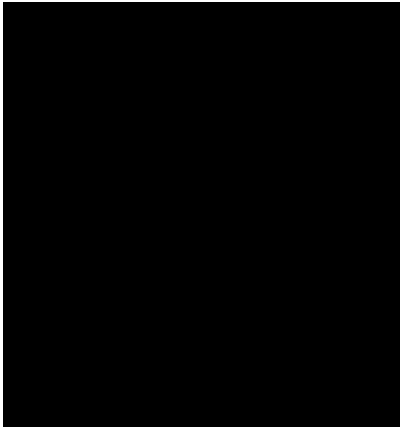
- How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- How the decision to seek higher revenues above the rate peg was made.
- Which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- Why the proposed SV is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in loan borrowings, public private partnerships or joint ventures.
- How the proposed SV affects the LTFP forecasts for the General Fund, and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's LTFP forecasts.
- If the need for the expenditure is not required to meet a financial need, the council should provide evidence of the community's desires for the services or assets to be funded by the proposed SV and its willingness to pay for them.

If the council has **an ongoing SV**, while the response should focus on the additional percentage increase to general income being sought, it should also specify:

- How the council has implemented the program of expenditure funded by the existing SV income.
- Whether any circumstances relating to the financial need for the additional revenue changed since it was approved, for example the council has received grant funding or income from other sources for the project.
- How changed circumstances have given rise to the need for an additional increase to general income.
- How closely revenue and expenditure in past years matched the projections made in the council's LTFP when applying for the original, and if relevant, the reasons for any significant differences.

Where the council **proposes to increase the minimum amount of rates** in conjunction with the SV, the responses to the questions should include information about the MR increases where relevant. However, the council should explain its rationale for increasing minimum rates above the statutory limit when completing the MR Increase Application Form Part B in relation to criterion 1: Rationale.

Table 2 Criterion 1 components

Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
<p>The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the SV) is clearly articulated and identified in the council's IP&R documents</p>	<p>Council identified the need for the SV in its 2022-2026 Delivery Program (DP) (including the 2022/23 Operational Plan) adopted on 29 June 2022. In the financial commentary, Council notes that "there are forecast operating deficits when maintaining the normal continuance of services to the level that the community has come to expect." The DP reflects on a range of actions that were considered to improve financial sustainability and recommends the SV in the first instance due to the "quantum of funds required to provide balanced budgets" and that the ongoing program of cost containment can no longer deliver the year on year savings that will be required.</p> <p>The need and purpose of a different rate path for Council's general fund was further explored in the Long-Term Financial Plan (LTFP); both the version adopted on 13 July 2022 and the updated LTFP adopted on 23 November 2022, with the latter modelling the proposed SV amount being sought in more detail.</p> <p>The LTFP outlined the internal and external factors putting pressure on Council's financial sustainability, including the boundary adjustment in 2016, costs escalating greater than the rate peg, increase in the Emergency Service Levy, recurrent operating and maintenance budget for Hornsby Park, funding for revised asset management plans, and increase in statutory employee superannuation.</p> <p>This is supported by Council's Asset Management Strategy (AMS) and Plans (AMPs) for each asset class, which were recently reviewed and updated. The AMS was reviewed and noted by Council on 28 September 2022, when it endorsed the updated LTFP for exhibition and resolved to consult the community on the proposed SV. The AMS outlines the up-to-date costs of renewal, maintenance, and operation of Council's assets, which represented an average increase of \$4.1 million per annum over the 10 years of the LTFP.</p> <p>Council's 2022-2026 Delivery Program including the Operational Plan 2022/23 also outlines Council's strategic documents. The strategic documents are our lead strategies which identify key challenges and set out high level action plans to address them and help guide decision-making. The strategies contain recommended actions which are then prioritised and implemented as funding becomes available.</p>	<p>Attachment 3 – Hornsby Shire Council - Delivery Program 2022-2026 (including the Operational Plan 2022-23) (Financial Commentary section, p.85)</p> <p>Attachment 4 – Hornsby Shire Council – 2023/24-2032/33 Long Term Financial Plan (updated – adopted 23 Nov 2022) (Section 1, p.4).</p> <p>Attachment 6 – Hornsby Shire Council –2023/24-2033/34 Asset Management Strategy (Section 4.2, p.21).</p>  <p>Attachment 3 - Hornsby Shire Council - Delivery Program 2022-2026 (including the Operational Plan 2022-23) – Strategic Documents p.20-21</p>
<p>In establishing need for the SV, the relevant IP&R documents should canvass alternatives to the rate rise.</p>	<p>Council has implemented alternatives to a rate rise over the last 10 years. These include reviews of internal and external services, staff freezes and reductions in 2014/15 and 2017/18, freezing non-labour operational costs and strict budget management that</p>	<p>Attachment 5 – Hornsby Shire Council – 2022/23-2032/33 Long Term Financial Plan (initial –</p>

identifies and ringfences savings through the quarterly review process (see Criteria 5 for more details).

adopted 13 July 2022) (Section 1, pp.6-7)

The initial LTFP adopted on 13 July 2022 also presented several alternatives to a rate rise. These included:

Attachment 4 – Hornsby Shire Council – 2023/24-2032/33 Long Term Financial Plan (updated – adopted 23 Nov 2022) (Section 10, p.41).

- Continuing to proceed with Hornsby Park development ahead of the Westleigh Park redevelopment (both grant funded programs, but with recurrent funding required for operations, maintenance and renewal once completed).
- Determining the scope of works that could realistically be completed based on the budget available.
- Reviewing and consulting to prioritise the unfunded actions identified in Council's adopted strategic and technical documents.
- Carefully considering the value of creating any further strategic documents given that it was unlikely that they could be funded.
- Carefully considering the acceptance of further grants for capital projects, where Council would be required to fund recurrent costs or partially fund capital costs.
- Reviewing other revenue streams to ensure appropriate price setting and identify opportunities for price increases.
- Maintaining a freeze on Full Time Equivalent (FTE) staffing levels.
- Maintaining non-labour cost increase at modest levels.
- Continuing financial improvement initiatives.
- Rationalising under-utilised assets.

Attachment 2 – Hornsby Shire Council –Community Strategic Plan 2022-2032 (What We Heard From the Community, p.26)

These alternatives were canvassed with Council in workshops in November 2020, February 2021, March and April 2022 as part of the development of the initial 2022/23-2032/33 LTFP adopted on 13 July 2022, after public exhibition and comment.

Many of these alternatives have been utilised or are continuing to be utilised by the Council. However, none of these were considered sufficient to address the underlying financial sustainability challenge that Council is experiencing, particularly as inflation continues to put pressure on operating and construction costs, and the SV option was considered the only feasible long-term solution.

As a result, the LTFP was revised and updated to model the impact of a Special Variation. In workshops with Council in July and August 2022, and a variety of Special Variation amounts were considered.

Council determined to consult the community on its preferred option, which would enable Council to:

- Continue to deliver current services and service levels
- Renew and maintain assets to a satisfactory condition
- Effectively maintain and operate the new Hornsby Park development
- Deliver some of the strategic initiatives that would address the community's top 10 issues, as stated in the 2022-2032 Community Strategic Plan (CSP) and developed through a variety of consultations over the last three years.

- Deliver sufficient capacity to achieve at least a 2% Operating Performance Ratio over the 10-year LTFP, allowing Council the capacity to manage through economic shocks and unforeseen events.

Failure to address declining income could result in the need to significantly reduce service levels and in deterioration of Council assets.

In demonstrating this need councils must indicate the financial impact in their LTFP

The updated LTFP adopted on 23 November 2022 outlines the financial impacts of the Special Variation and the baseline without the Special Variation.

Attachment 4 – Hornsby Shire Council – 2023/24-2032/33 Long Term Financial Plan (updated – adopted 23 Nov 2022) (Section 8, pp.30-35 and Section 12 pp.44-47).

The baseline models a normal continuance of services and maintenance of assets to a satisfactory condition. This scenario shows that Council will incur General Fund deficits before capital items from 2025-26 onward. It also demonstrates a significant depletion of unrestricted cash, which funds the day-to-day operations of Council, over the 10 years from \$17 million in 2022-23 to \$4 million in 2032-33.

The SV scenario models a normal continuance of services, maintenance of assets and delivery of 14 priority initiatives from Council’s endorsed strategic and technical documents, as well as the inclusion of the proposed Special Variation. This scenario shows that with the proposed SV, Council is able to maintain modest surpluses of between 2% and 5% of total operating revenue and grow unrestricted cash to build a reserve to manage through any economic shocks and unforeseen events.

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

The primary purpose of the Special Variation is to ensure that Council meets its obligations under section 8B of the Local Government Act to employ sound financial management principles. The proposed SV will enable Council to continue to deliver services and service levels the community have come to expect, while ensuring that it aligns general revenue and expenses and invests in responsible and sustainable infrastructure.

Attachment 2 - Hornsby Shire Council –Community Strategic Plan 2022-2032 (What We Heard From the Community, p.26)

Under the Integrated Planning and Reporting framework, Council is required to deliver a suite of strategic documents supporting a holistic approach to planning for the future. Council’s strategic documents are developed with input from the community, are endorsed by elected members and provide an important link between the Delivery Program and achievement of the outcomes in the Community Strategic Plan. Council has 36 strategic documents, which were developed through evidence-based research and analysis, that define Council’s role and policy position in relation to specific issues and recommends the best path forward with numerous actions identified to deliver community aspirations. However, many of these actions are currently unfunded. Council undertook a review of these strategic documents and identified 14 costed priority initiatives that address the top ten community issues (detailed in the Hornsby Shire Community Strategic Plan 2022-2032 – Attachment 2) and based on the community feedback from a variety of engagement activities (Attachment 2, 8, 10 and 12).

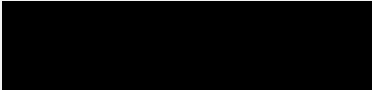
Attachment 8 – Hornsby Shire Council – 2021 Community Satisfaction Survey Full Report (Summary of Finding section, p.5)

Attachment 9 – Hornsby Shire Council – CSP Online Survey Outcomes – Final Report Oct 2021 (Section 4.2, p. 10)

Over the last five years, Council has undertaken numerous community engagement activities and has engaged with over 12,000 people on various topics. Feedback during these consultations illustrates the community’s:

Attachment 10 - Hornsby Shire Council – Quality of Life & Asset Management Survey Outcomes – Final Report July 2020 (Part 3: Council assets, pp.22-24)

- Expectation to continue to receive services at their current levels (Attachment 8)
- Desire to ensure assets remain at a satisfactory condition (Attachment 10 and



- Attachment 32), and
- Top 10 issues for Council to address (Attachment 2 and 9).

Expectation of continuance of services

The 2021 Community Satisfaction Survey demonstrated that, in general, the community was satisfied with Council with an overall score of 3.43 (based on a 1-5 satisfaction scale). The survey identified some areas for potential service improvement, including the condition of local roads and footpaths, management of parking, conditions of public toilets, and the development approval process.

This was further supported by the survey undertaken during the development of Council's Community Strategic Plan (CSP) 2022-2032 with support of over 70% for all 12 outcome statements from the previous CSP. The survey feedback and broader engagement activities subsequently formed the basis for the Themes and Strategic Directions in the current CSP.

Maintain Assets

The Quality of Life and Asset Management Survey results in 2020 suggest that the biggest contributors to a resident's overall satisfaction are "Council plans well to secure the community's long-term future" and "a range of community events and activities are planned that bring people together". The Quality of Life and Asset Management Survey also identified community satisfaction with Council's recreation and open space assets, but these along with roads and parking were also identified as assets needing improvement. The community was relatively evenly split between whether Council should improve current assets or build new ones. However, the key message supported by the community was the maintenance of the current assets at the level of service they currently are provided.

Consultation around the master plan for Hornsby Park, a NSW Government grant funded program to develop the approx. 60 hectare Hornsby Quarry site into community parkland, was used to understand the community requirements for the development. The master plan was then the basis for estimation on the recurrent operating, maintenance and renewal costs that Council would need to fund once the development is completed.

Local Strategic Planning Statement

In 2019, Council undertook extensive community engagement to develop its Local Strategic Planning Statement (LSPS). While there were diverse views expressed on housing density, there were passionate calls for strong leadership on environmental sustainability, which lead to Council setting clear targets. There was also a strong desire for better freedom of movement and walkable neighbourhoods and calls for increased collaboration and advocacy with NSW Government, local businesses and the community. (Attachment 24)

Top 10 Issues

Council undertook a review of the outcomes of their community engagement activities over the three years from 2018-21 to understand the ten topics of highest importance to the community. These were then validated through engagement with the community in

Attachment 11 - Elton Consulting - Hornsby Park Draft Master Plan - Community Engagement Outcomes Report - July 2021 (Section 4, pp.8-26)

Attachment 12 - Hornsby Shire Council - Summary of community engagement outcomes from 2018-2021 (one page summary)

Attachment 13 - Hornsby Shire Council - Community Engagement Issues Summary for Community Strategic Plan 2022-2032 (Emerging themes, p.3)

Attachment 32 - Hornsby Shire Council Asset Management Community Insight Report November 2020 (Future Planning - Levels of Service, p.18-21)

Attachment 24 - JOC Consulting - LSPS Engagement Outcomes Report - Feb 2020 (pp. 5-9)

Attachment 20 - Morrison Low - SRV Background Paper (p.5-6 and Appendix A, p.13-14)

Attachment 23 - Hornsby Shire Council Continual Improvement Program (Framework for Continual Improvement Program p.2-4)

developing the CSP 2022-2032 and the final top 10 issues were included in the CSP. These top ten issues were: natural environment; population growth, housing diversity and supporting infrastructure; climate change, waste and environmental sustainability; transport; community facilities and cultural events; diverse, inclusive and accessible communities; parks, open space, recreation and sports; resilience to shocks and stresses; youth, ageing and family services; and economic development and vibrant town centres.

It was against these Top 10 issues that Council reviewed the unfunded actions in their 36 strategic and technical documents and developed 14 priority strategic initiatives that could be delivered with the proposed SV (Attachment 35).

Fourteen Strategic Initiatives

The 14 strategic initiatives require \$67.3 million over ten years to deliver; \$18.4 million of this is operating expenditure and \$48.9 million is capital expenditure. A summary of the programs of initiatives and their associated costs is provided in the table below. (Further details are provided in Attachment 35). These initiatives respond to Council's highest priority actions.

	Sustainable and resilient community – \$6,035,096 <ul style="list-style-type: none">Community Resilience Program - climate change adaptation and mitigationBushfire risk mitigationCommunity Development Programs (e.g. social isolation – Hello Hornsby)
	Planning for our future \$1,000,000 <ul style="list-style-type: none">Improve strategic planning, including developing the Pennant Hills Town Centre Master Plan and Place Plan
	Upgrading your community infrastructure – \$30,807,000 <ul style="list-style-type: none">Renew our public amenitiesCommunity centre access and use upgradesPrioritised stormwater upgradesImprove sportsgrounds change rooms



Connected walking and cycling paths – \$17,982,370

- Shared paths – footpaths and cycleways
- Track and trail upgrades for accessibility
- Track and trail maintenance



Protecting bushland and improving open space – \$10,283,419

- Bushland asset management
- Playground upgrades



Safeguarding our systems – \$1,150,000

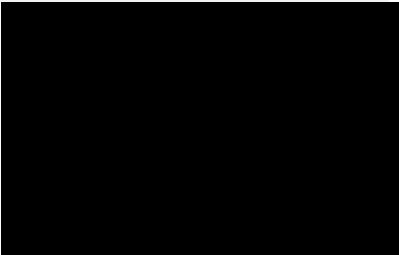
- Providing better customer service, including enhanced cyber security

There remains a number of unfunded actions across the 36 strategic and technical documents. It is Council’s intention to seek other funding sources that will include grants, partnerships and, where appropriate, redirection of operational services identified through a Continuous Improvement Program in the organisation to deliver on these actions.

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

NSW Treasury Corporation (TCorp) has undertaken two reviews of Hornsby Shire Council in 2013 and again in 2017. These have been provided as confidential attachments, at TCorp’s request.

The 2017 TCorp review was undertaken to assess the impact of the 2016 Boundary Adjustment on Hornsby Shire Council’s Financial Sustainability. Hornsby Shire Council also commissioned BIS Oxford in 2018 to undertake an independent assessment of the boundary adjustment’s financial impact. This report is provided as Attachment 30.



Attachment 30 - BIS Oxford - Hornsby Shire Council Financial Review

IPART will also take into account 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 SV.

There are no rate increases that have been deferred under section 511 of the Local Government Act.

Note: Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

Financial sustainability of the council – What will be the impact of the proposed special variation?

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

In the **table**, the council’s response should explain:

- The council’s understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- Any external assessment of the council’s financial sustainability (e.g. by auditors, NSW Treasury Corporation), indicating how such assessments of the council’s financial sustainability are relevant to supporting the decision to apply for an SV.
- The council’s view of the impact of the proposed SV on its financial sustainability.

Table 3 Council’s financial sustainability

Item	Description	Reference to IP&R documents
Improve the councils underlying financial position for the general fund	Council’s LTFP demonstrates that without the proposed SV it will incur growing deficits from 2025-26 onward. This can also be seen in the downward trend of Council’s operating result from 2016-17 onward. This stems from a structural imbalance that came about from the 2016 boundary adjustment, which has been further exacerbated by increased operating cost from assets developed with NSW Government funding in part compensation for the adjustment (e.g. Hornsby Park), increased requirement to fund compulsory superannuation contributions for staff and an increasing inflationary environment putting pressure on cost containment.	Attachment 4 – Hornsby Shire Council – 2023/24-2032/33 Long Term Financial Plan (updated – adopted 23 Nov 2022) (Section 9, p.37).
And / Or		
Fund specific programs of expenditure	<p>In addition to maintaining financial stability and ensuring ongoing funding for the maintenance of current assets and services, an SV will allow Council to deliver what the community have said is important to them to maintain their quality of life, including:</p> <ul style="list-style-type: none"> • Building a resilient community that is well prepared for future shocks including climate change and bush fires, and is socially connected • Planning for the future, including a masterplan to revive Pennant Hills Town Centre • Upgrading community infrastructure, including public toilets, community centres, sportsgrounds and stormwater systems • Delivering a connected network of footpaths, cycleways and trails with improved accessibility • Managing Council assets to better protect our bushland and improve open 	Attachment 4 – Hornsby Shire Council – 2023/24-2032/33 Long Term Financial Plan (updated – adopted 23 Nov 2022) (Section 11 – Strategic Initiatives, p.43).

- spaces
- Improving technology to provide better customer service, including enhanced cyber security.

Over recent years, Council has undertaken a series of technical and evidence-based strategies to formulate initiatives required to deliver services to the community for each of Council's unique disciplines. Thirty-six different strategies and technical documents have been adopted by Council. Supporting these strategies are a range of community surveys that express the desires of our residents.

The 14 priority strategic initiatives identified for funding in the proposed SV require \$67.26 million over ten years to deliver; \$18.4 million of this is operating expenditure and \$48.9 million is capital expenditure (Attachment 35).

A summary of the program of initiatives and their associated costs is provided below:

- Sustainable and resilient community initiatives \$6,035,096
- Planning for our future initiatives \$1,000,000
- Upgrading community infrastructure \$30,807,000
- Connected cycling and walking paths \$17,982,370
- Protecting bushland and improving open space \$10,283,419
- Improving our technology \$1,150,000

Due to deficits being forecast in eight out of ten years in the base LTFP, there is insufficient financial capacity to fund these unfunded initiatives unless additional income is generated, such as through an SV.

Other [please overwrite cell to add other item]

Note: Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?

In the text box please give a brief explanation on how the proposed SV would affect the council's key financial indicators (for the general fund, over the 10-year planning period):

The proposed SV will enable Council to deliver modest surpluses in the General Fund and as a result, a small positive Operating Performance Ratio of between 2% to 5% over the next 10 years. At the same time, Council will be able to maintain and renew assets sufficiently with asset renewal and maintenance ratios around 100%. This in turn maintains Council's asset backlog ratio, which is under the 2% benchmark.

In Table 5 please provide the councils key financial indicators.

Table 5 Council financial indicators

Ratio	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Operating performance ratio excluding capital items	-1.9%	2.3%	3.1%	4.1%	4.2%	5.0%	4.0%	3.1%	3.8%
Own source revenue ratio	73.6%	86.5%	86.5%	86.8%	87.0%	69.3%	87.3%	87.4%	87.4%
Building and asset renewal ratio	91.2%	131.9%	101.3%	102.6%	104.0%	103.7%	105.1%	105.4%	105.5%
Infrastructure backlog ratio	1.5%	0.7%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Asset maintenance ratio	79.8%	85.7%	96.8%	96.6%	96.9%	97.1%	97.4%	97.3%	96.9%
Debt service ratio	<1%	Not relevant							
Unrestricted current ratio	6.4	5.7	5.5	5.3	5.4	5.5	5.6	5.2	5.0
Rates and annual charges ratio	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%

Criterion 2 – Community awareness and engagement

Criterion 2 in the SV Guidelines is:

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

To complete the questions for criterion 2 provide relevant extracts of the IP&R documents that set out the rate rises under the proposed SV and attach relevant samples of the council's consultation material.

The response should provide details and examples to demonstrate the clarity of information presented in the consultation materials, including information about:

- The need for the proposed SV.
- Specific programs or projects, levels and types of services, investment in assets and the options for funding them by rate increases.
- The proposed cumulative rate increases including the rate peg for each major rating category (in both percentage and dollar terms), particularly where the increase is to be applied differentially across ratepayer categories (i.e. rates will not increase uniformly by the SV percentage).
- The annual increase in average rates that will result if the proposed SV is approved in full (and not just the increase in daily or weekly terms).
- The size and impact on rates where an existing SV will continue, expire, be renewed or replaced at the end of the current financial year or during the period when the requested SV will apply.
- The rate levels that would apply without the proposed SV (clearly showing the impact of any expiring SV).
- Outlining evidence of residents and ratepayers being aware of the proposed SV.
- Outcomes could include the number of people reached by mail outs, the number of attendees at events and participants in online forums, the number of submissions made, surveys or feedback forms completed, as well as evidence of media reports and other indicators of public awareness of the council's SV intentions.
- Explaining how the community responded and the feedback the council received about its proposal.

The response should indicate how participants responded to any surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases. Where the council has received submissions from the community relevant to the proposed SV, the application should set out the views expressed in those submissions.

Although this criterion does not require the council to demonstrate community support for the proposed SV, it is required to consider the results of the community consultation in preparing the application. The response should identify and document any action taken, or which will be taken, to address issues of common concern within the community about the proposed SV.

Some councils will need to provide additional information in their response to demonstrate how consultation material explained to the community details about the proposed SV and its impact on rates to reflect the specific circumstances of their application, for example:

- If the council is **renewing or replacing an expiring SV**, information was provided about the purpose, and duration of the expiring SV, the original and current percentage of general income the SV represents, whether the new SV is temporary or permanent, the amount of any *additional* increase above the rate peg being requested, and that if the proposed SV is not approved (i.e. only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall
- If the council **has an existing (ongoing) section 508A SV** and is applying for an *additional SV*, how the consultation material explained details about the existing SV, its size and duration, and the impact on rate levels when it does expire, as well as the impact on rate levels and annual increases with and without the additional SV.
- If the council proposes to **increase minimum rates**, the increase to minimum amounts, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories which would occur as a result of the SV.
- Where the council intends to **make any changes to the rating structure in 2023-24** in conjunction with the proposed SV, such as changes to subcategories and adjusting ad valorem rates following new land valuations, the need for or purpose of the change and its impact was explained to the community.

How did the council engage with the community about the proposed special variation?

In the table below please provide evidence as to how the councils community engagement met criterion 2.

Table 4 Evidence of council's community engagement meeting criterion 2

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
<p>Evidence that the community is aware of the need for and extent of a rate rise.</p>	<p>Council undertook a robust and extensive community engagement process on Council's financial sustainability and the proposed need for an SRV. Council was able to reach a variety of ratepayers by utilising a direct mailout, electronic newsletters and emails, in-person and online public forums, community group presentations, a community drop-in information session, social media, traditional print media, and a dedicated collaboration website with a survey. (Attachment 15, pp.171-227 and 237-294)</p> <p>Over the consultation period from 4 October to 8 November 2022, Council sent 47,600 letters and 51,347 emails to businesses and residents providing information on the proposed SV. A further 27,211 e-Newsletters were sent, with 11,822 opened and 525 link clicks. Advertisements were placed in local newspapers (including translated inserts in Mandarin, Korean and Farsi) with distributions totalling 35,000. Council's social media information on the SV reached 13,036, with 194 reactions, comments or shares. A digital banner on Hornsby footbridge was viewed by an estimated 21,648 vehicles per day (Attachment 15, p.8).</p> <p>In order to ensure the Culturally and Linguistically Diverse (CALD) residents and ratepayers of Hornsby were aware of and had the opportunity to understand and comment on the proposed SV, Council sent translated invitations to a Library Drop In Session where translators (Mandarin, Korean and Farsi) were on hand if needed. All relevant material also included Council's translation information to further help CALD communities. (Attachment 15, p.10)</p> <p>Council conducted four public (three face to face and one online) information sessions with an independent facilitator over the consultation period with 265 attendees, including 118 who participated in the online forum. Council staff delivered a further eight community stakeholder presentations to a variety of resident associations and other community groups with a total of 207 attendees. (Attachment 15, pp.20-21)</p> <p>Council's Your Say Hornsby page on the SV received 8,821 visits from 6,428 visitors. From this, Council received 1,977 contributions via its online survey and submission process. A further 506 submissions were received via letter or email.</p>	<p>Attachment 15 – Hornsby Shire Council – SRV Community Engagement Summary Report (Engagement Results, p.8-21)</p> <p>Attachment 33 – Hornsby Shire Council Report GM34/22 – Adoption of a Draft Long Term Financial Plan for 2023/24 – 2032/33 and Progression of a Special Rate Variation Application for 2023/24, p 26)</p>

It is acknowledged that the majority of feedback received argues against Council proceeding with a SV, or at least proceeding with a smaller SV. What is also evident is that where Council has had the opportunity to fully articulate the background and necessity of the SV, the community's response was generally more positive. In particular, engagement with organisations that have frequent and ongoing contact with Council and, therefore, arguably a deeper understanding of Council's activities, has been significantly more positive.

While the overwhelming majority of responses to the survey did not support the Council applying for the SV, there is demonstrated awareness of the need for and extent of the rate rise throughout the community.

The Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the SV, for the average ratepayer, by rating category.

The Long-Term Financial Plan was prepared in accordance with the OLG IP&R guidelines and requirements, and it references the impact of the SV on Council and community.

The impact on average rates for all rating categories was clearly set out as part of the community consultation information. It was provided on the main Your Say Hornsby page (<https://yoursay.hornsby.nsw.gov.au/srv>), in the direct mail out information, in the SRV background paper and in all presentations made throughout the engagement period (see Attachment 20, pp.608).

Attachment 4 - Hornsby Shire Council - Long Term Financial Plan 2023/24-2032/33 (updated - adopted 23 Nov 2022) (p.41)

Attachment 15 - Hornsby Shire Council - SRV Community Engagement Summary Report (Pdf page numbers. 278,249,200, 221-227)

Attachment 20 – Morrison Low SRV Background Paper (p.6-8)

The council 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.

The full cumulative increase of the proposed SV was communicated in engagement materials in both percentage terms, and the total increase in dollar terms for the average ratepayer, including by category (see the attachments and pages referenced and Council's Your Say Hornsby Page <https://yoursay.hornsby.nsw.gov.au/srv>). It was also set out in Council's updated Long Term Financial Plan.

Attachment 4 - Hornsby Shire Council - Long Term Financial Plan 2023/24-2032/33 (updated - adopted 23 Nov 2022) (p.41)

Attachment 15 - Hornsby Shire Council - SRV Community Engagement Summary Report (pdf page numbers. 199, 278,249,200, 221-227)

To ensure residents and businesses understood what it meant to them, separate face to face sessions were held for residents and businesses. A sample copy of the presentation provided to the community can be found in Attachment 15, p221-227 and p199-200))

Attachment 15 - Hornsby Shire Council – SRV Community Engagement Report (Letter and Flyer, pdf page numbers 244-249)

Attachment 15 - Hornsby Shire Council – SRV Community Engagement Report (Special

In the text box below, provide any other details about the councils: consultation strategy, timing or materials that are not captured in Table 4.

n/a

In the text box below, please provide any other details about the community’s involvement in, engagement with or support of the proposed SV not captured in Table 4.

n/a

In Table 5 please list out any other attachments that the council has relied on to respond to criterion 2 not otherwise detailed in Table 4.

Table 5 Other criterion 2 attachments

Attachment number	Name of document	Page references ^a
n/a		

a. If document is only relevant in part.

Criterion 3 – Impact on ratepayers

Criterion 3 in the SV Guidelines is:

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

- clearly show the impact of any rate rises upon the community
- demonstrate 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.

This Application Form asks four questions for criterion 3. Councils should provide evidence to demonstrate:

1. the **impact on rates** of the proposed SV, including the **impact on minimum amounts** of any ordinary or special rate
2. how the council considered that the proposed rate rises were **affordable, having regard to ratepayers' capacity and willingness to pay**
3. how the council **addressed concerns about affordability** in determining the special variation is applied for, and
4. the council's plans for **addressing hardship** ratepayers may experience in meeting their obligations to pay rates in the future.

As well as considering the evidence provided by the council to demonstrate that the proposed rate increase is affordable for its community, IPART will undertake its own analysis of affordability by considering a range of data, including:

- the average growth in the council's rates in recent years, including previous SV increases
- how the council's average rates, current and under the proposed SV, compare with those in similar councils, and
- socio-economic indicators such as median household income, average rates to income ratio, outstanding rates ratio and SEIFA ranking.

The council's response to criterion 3 should also indicate how the required information is reflected in the Delivery Program and Long Term Financial Plan.

Is the impact on rates of the proposed special variation reasonable?

Although much of the quantitative information we need on the impact of the proposed SV on rate levels will already be contained in Worksheets 5a and 5b of SV Application Form Part A, the response to this question should clearly set out:

- the impact on rates across the council's rating structure should the SV be approved, compared with
- the rate levels which would apply if the SV is not approved.

This information should be provided in a table indicating average rates in 2023-24, and then both the dollar and percentage increase for each rating category and subcategory for each year of the proposed SV, and the cumulative increases for the whole period.

A simple table is sufficient where the council intends to apply the proposed SV percentage increase in general income to all rating categories and subcategories.

The approach is likely to be more complex where the council is applying an increase differentially across ratepayer categories or making any changes to the rating structure in 2023-24. In this case, the council's response should explain the basis for allocating the increase to general income among the ratepayers and how the rating structure would be different from that which would apply if the SV is not approved, and why. This information will be relevant to our assessment of the reasonableness of the impact on ratepayers.

If relevant, the council's response should also indicate the impact of any other anticipated changes (e.g. receipt of new valuations) in the rating structure, or any changes to other annual ratepayer charges such as for domestic waste management services. Please provide the councils response in the text box below.

The tables below provide the proposed SV increase in percentage terms and outlines the impact of rates for business and residential rates should the SV be approved compared with the rate levels which would apply if the SV is not approved. These were also the tables provided to the community throughout the SV engagement process. In this regard, it is noted that a rate peg of 2.5% for future years from 2024/25 has been used in Part A of this application following guidance within the Part A worksheet, which differs slightly to Council's estimated rate peg in 2024/25 and 2025/26.

The proposed Special Variation increases including forecast rate peg.

	2023/24	2024/25	2025/26	2026/27	Aggregate	Cumulative
Proposed HSC Rating Increase	8.50%	7.50%	6.50%	5.50%	28%	31.05%
Forecasted Rate Peg	3.70%	3.50%*	3.00%*	2.50%*	12.70%	13.31%

* subject to IPART advice confirming future rate pegs

Impact on average rates for residential and business.

Rating category	2022/23	2023/24	2024/25	2025/26	2026/27
Residential - with SRV	NA	\$1,379.73	\$1,483.21	\$1,579.62	\$1,666.50
Residential - without SRV	\$1,271.64	\$1,318.69	\$1,364.84	\$1,405.79	\$1,440.93
Business - with SRV	NA	\$3,733.11	\$4,013.09	\$4,273.94	\$4,509.01

Business - without SRV	\$3,440.65	\$3,567.96	\$3,692.84	\$3,803.62	\$3,898.71
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Further information on the impact on sub-categories of business rates and farmland rates, where there are fewer assessments, were also provided in the SRV Background Paper (Attachment 20, p.6) as well as in the public forum presentations (Attachment 15, pp.221-227), noting that average values will have changed since the date of the Background Paper due to the changing nature of Council's rates base.

How has the council considered affordability and the community's capacity and willingness to pay?

The council's response in the text box below should provide evidence to establish:

- That the proposed SV is reasonable in the context of the current rate levels, ratepayer base and its purpose.
- How the council considered the community's capacity and willingness to pay, and that the rate increases would be affordable for the community.

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

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

While councils should consider the affordability of the proposed rate increases for **all** affected ratepayers, in some circumstances, particularly where the increase will not be uniform for all ratepayers, councils should explain how the **affected** ratepayer capacity to pay was considered. This could apply, for example, where:

- The council intends to **apply the increase differentially across ratepayer categories**.
- The council intends to **make changes to the rating structure in 2023-24** in conjunction with the proposed SV.
- The proposal would **increase minimum rates** by a significantly high percentage.

Please provide the councils response in the text box below.

Council engaged Morrison Low to undertake an independent analysis and evaluation of relative wealth and financial capacity (Attachment 21 – Capacity to Pay Report); it looks at the financial vulnerability and exposure of different community groups within the local government area (LGA).

The analysis considered a variety of economic and community data and found that the LGA generally has higher levels of advantage, and lower levels of disadvantage, when compared with Greater Sydney, NSW and Australia. The impact of the rate rise was relatively small (between \$3.79 and \$5.65 per week above what would be paid with no SV for residential ratepayers).

The analysis also found that the areas expected to pay more in terms of the rate rise were also areas with higher equalised income, higher socio-economic advantage, lower mortgages, few dependents and less socio-economic disadvantage.

Additionally, Hornsby Shire Council regularly has among the lowest levels of outstanding rates in NSW, an indication of both capacity and willingness to pay.

The report concluded that ratepayers do have a capacity to pay, particularly if supported by appropriate hardship policies.

Survey results from the SV Community Engagement process showed that the overwhelming majority of respondents (86.29%) did not support Council applying for an SV. However, Council, in considering its requirement to exercise sound financial management principals under Section 8B of the Local Government Act and the impact on the organisation’s financial sustainability if it did not apply for the SV, resolved to continue with the application.

In resolving to apply for the SV, and considering feedback from the community, Council also resolved to increase its pensioner rate concession by \$50 to \$300 per annum from 2023-24, subject to the approval of the SRV application by IPART, and to undertake a thorough review of its Hardship Policy to be completed prior to the adoption of its 2023-24 Operational Plan and budget.

How does the council intend to address hardship?

Does the council have a hardship policy?	Yes
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If yes, is an interest charge applied to late rate payments?	Yes
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The response in the text boxes below should explain any measures the council has in place, or intends to introduce, measure for dealing with cases where ratepayers experience hardship in meeting their obligation to pay rates.

Evidence can relate to a formal hardship policy which the council has adopted, and/or processes the council has in place, or intends to implement. The response should explain who the potential beneficiaries are and how they are or will be assisted. Alternatively, the response should explain why no such measures are proposed.

The council should also indicate whether the hardship policy or other measures are referenced in the council’s IP&R documents (with relevant page reference or extract provided). Please provide the councils response in the text boxes below.

a. Explain the measures the council proposes to use to reduce the impact of the proposed SV on vulnerable ratepayers, or alternatively, explain why no measures are proposed.

Council has an existing Hardship Policy and Council staff work with each ratepayer on an individual basis to assess and support them. Council has also resolved to increase its pension rate rebate by \$50 to \$300 from 2023-24 in line with the implementation of an approved SV.

In further response to community feedback from some in the community Council has also resolved to undertake a thorough review of its Hardship Policy, with changes to come into effect, in line with the adoption of the 2023-24 Operational Plan and budget.

b. Indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

Supporting people experiencing hardship is an action under the long term goal of "a resilient and welcoming community that cares for and looks after each other by connecting and participating in community life" (G.1.) in Council's Community Strategic Plan 2022-2032.

This is further supported in Council's stated approach to raising and considering waivers of fees and charges in its Delivery Program 2022-2026 (including the Operational Plan 2022-23. Council's current Hardship Policy is available online in its policy register accessible from its website.

As stated above, Council has committed to undertake a comprehensive review of its Hardship Policy in accordance with OLG guidelines and industry best practice. The review will include consideration of pensioner ratepayers such as those on a disability or other pension that are not eligible to receive the existing rebate concession. This review will be completed and reported prior to the adoption of the 2023-24 Operational Plan and budget.

Table 6 Criterion 3 attachments

Council- assigned number	Name of document	Page references ^a
Attachment 15	Hornsby Shire Council - SRV Community Engagement Summary Report	pp. 20, 249, and 221-227
Attachment 21	Morrison Low – Capacity to Pay report	pp. 1-2, 17-18, 19 and 21.
Attachment 1	Hornsby Shire Council - Meeting Minutes from 23 Nov 2022 - resolution to apply for Special Variation	p.4
Attachment 2	Hornsby Shire Council - Community Strategic Plan 2022-2032	p.32
Attachment 3	Hornsby Shire Council - Delivery Program 2022-2026 (including the Operational Plan 2022-23)	p.94
Attachment 22	Hornsby Shire Council – Hardship Policy	

a. If document only relevant in part.

Has the council considered the impact of the SV in its IP&R documents?

In the table below provide evidence that the council met the reporting requirements of criterion 3 in tis delivery program and LTFP.

Table 7 Consideration of the proposed SV impact in IP&R documents

Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
<p>The Delivery program and LTFP should:</p>		
<p>Clearly show the impact of any rises upon the community</p>	<p>The Delivery Program and LTFP have been prepared in accordance with the Office of Local Government's Integrated Planning and Reporting Guidelines and Handbook (September 2021). As a result, they provide some commentary on the impacts of the SV on Council and the community. The formulation of the updated LTFP document relied on the more detailed breakdown of information that was provided throughout the community engagement process.</p>	<p>Attachment 3 - Hornsby Shire Council - Delivery Program 2022-2026 (including the Operational Plan 2022-23) (pp. 84-85)</p> <p>Attachment 4 - Hornsby Shire Council - 2023/24-2032/33 Long Term Financial Plan (updated - adopted 23 Nov 2022) (sections 10-13, pp.40-48)</p> <p>https://yoursay.hornsby.nsw.gov.au/srv</p> <p>Attachment 15 - Hornsby Shire Council - SRV Community Engagement Summary Report (pdf page numbers. 278,249,200, 221-227)</p>
<p>Include the council's consideration of the community's capacity and willingness to pay rates</p>	<p>As above. Additionally, Council considered the independent analysis undertaken by Morrison Low on the community's capacity to pay as well as the results of the community engagement in determining whether to adopt the updated LTFP and apply for the SV.</p>	<p>Attachment 3 - Hornsby Shire Council - Delivery Program 2022-2026 (including the Operational Plan 2022-23) (pp. 84-85)</p> <p>Attachment 4 - Hornsby Shire Council - 2023/24-2032/33 Long Term Financial Plan (updated - adopted 23 Nov 2022) (sections 10-13, pp.40-48)</p> <p>https://yoursay.hornsby.nsw.gov.au/srv</p> <p>Attachment 15 - Hornsby Shire Council - SRV Community Engagement Summary Report (pdf page numbers. 278,249,200, 221-227)</p>

<p>Establish that the proposed rate increases are affordable, having regard to the community's capacity to pay</p>	<p>Council engaged Morrison Low to undertake an independent analysis and evaluation of relative wealth and financial capacity (Attachment 21 – Capacity to Pay Report). The Capacity to Pay Report looks at the financial vulnerability and exposure of different community groups within the local government area (LGA). The analysis considered a variety of economic and community data and found that the LGA generally has higher levels of advantage, and lower levels of disadvantage when compared with Greater Sydney, NSW and Australia. The impact of the rate rise was relatively small (between \$3.79 and \$5.65 per week above what would have been paid with no SV for residential ratepayers).</p> <p>The analysis also found that the areas expected to pay more in terms of the rate rise were also areas with higher equalised income, higher socio-economic advantage, lower mortgages, few dependents and less socio-economic disadvantage. Additionally, Hornsby Shire Council regularly has among the lowest levels of outstanding rates in NSW, which is an indication of both capacity and willingness to pay. The report concluded that ratepayers do have a capacity to pay, particularly if supported by appropriate hardship policies.</p> <p>Council considered the independent analysis undertaken by Morrison Low on the community's capacity to pay as well as the results of the community engagement in determining whether to adopt the updated LTFP and apply for the SV.</p>	<p>Attachment 21 – Morrison Low – Capacity to Pay Report (pp. 1-2, 17-18, 19 and 21.)</p> <p>Attachment 7 - Hornsby Shire Council Minutes - Resolutions adopting IP&R documents</p> <p>Attachment 1 - Hornsby Shire Council - Meeting Minutes from 23 Nov 2022 - resolution to apply for Special Variation (p.4)</p> <p>Attachment 3 - Hornsby Shire Council - Delivery Program 2022-2026 (including the Operational Plan 2022-23) (pp. 84-85)</p> <p>Attachment 4 - Hornsby Shire Council - 2023/24-2032/33 Long Term Financial Plan (updated - adopted 23 Nov 2022) (sections 10-13, pp.40-48)</p> <p>https://yoursay.hornsby.nsw.gov.au/srv</p> <p>Council - SRV Community Engagement Summary Report (pdf page numbers. 278,249,200, 221-227)</p> <p>Attachment 21 - Morrison Low - Capacity to Pay Report (pp. 1-2, 17-18, 19 and 21.)</p> <p>Attachment 7 - Hornsby Shire Council Minutes - Resolutions adopting IP&R documents</p> <p>Attachment 1 - Hornsby Shire Council - Meeting Minutes from 23 Nov 2022 - resolution to apply for Special Variation (p.4)</p>
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Note: Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

Criterion 4 – Exhibition of IP&R documents

Criterion 4 in the SV Guidelines is:

The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

The formal requirements applying to IP&R documents are set out in the *Integrated Planning and Reporting Guidelines for Local Government in NSW* and the *Integrated Planning and Reporting Handbook for Local Councils in NSW*.

For the purposes of applying for an SV, councils should note:

- If amendments to an adopted **Delivery Program** or **Community Strategic Plan** are needed to incorporate or update information about the proposed SV, the draft documents should be re-exhibited for a period of 28 days, and adopted before the council submits its Application Form to IPART.
- The exhibition period should be scheduled so that there is an opportunity for the council to formally consider and resolve to adopt the revised documents. It will be expected that a council will hold an extraordinary general meeting, if necessary, to meet this requirement.
- The council should adopt a version of the **LTFP** which incorporates modelling of the proposed SV before the council submitting the application to IPART.
- When applying for a SV for 2023-24 councils do not need to prepare, exhibit or adopt the **Operational Plan for 2023-24**.
- If council has used supporting evidence from the **Operational Plan for 2023-24** to demonstrate how it satisfies other criteria, the council should also provide information about this document in its response to criterion 4.

Where the proposed SV is to fund asset management, the council's **Asset Management Strategy and Plan(s)** should be adopted before submitting the application to IPART.

What IP&R processes did the council use in determining to apply for a special variation?

In the text box indicate the progress of identifying the need for the SV being incorporated into the IP&R documents by providing information about community engagement and when key revisions were made to the IP&R documents.

Since the December 2021 Council elections, Council staff and Councillors have worked together to develop the Delivery Program for the new term of Council. The Community Strategic Plan (CSP) 2022-2032 was adopted in June 2022, followed by the Delivery Program 2022-2026 (including the Operational Plan 2022-23), after a period of exhibition. This was the culmination of the extensive community engagement on what the long term vision and

priorities were for the Council. Alongside this process, there were a number of workshops with Councillors to finalise the CSP and Delivery Program, in which the Council's financial sustainability challenges were discussed, with options to address. The Delivery Program 2022-2026 (including the Operational Plan 2022-23) identified the challenge and recommended to need to consider a Special Variation as the preferred option to resolve.

The initial 2022/23-2032/33 Long Term Financial Plan (LTFP) was adopted by Council in July 2022 and further outlined the challenge and the need for a Special Variation. However, at that point a proposed amount of an SV was not finalised or modelled in the LTFP. After further workshops with Councillors and staff, the preferred SV option was identified and the LTFP was updated to include a fully modelled SV scenario and placed on public exhibition at the same time as Council engaged with the community on the proposed SV. The updated LTFP was adopted in November 2022.

When did the council meet the formal requirements for all relevant IP&R documents?

The table seeks information which demonstrates that the council has met the formal requirements for the preparation, exhibition, adoption and publication of the current IP&R documents. Please complete Table 8 for all IP&R documents relevant to the council's application.

Table 8 IP&R documents

Document	Exhibition dates	Adoption date	Placed on council's website	Web link
Community Strategic Plan	10 March 2022 to 11 April 2022	8 June 2022	Yes	https://www.hornsby.nsw.gov.au/council/forms-and-publications/publications/community-plan
Delivery Program	14 April 2022 to 16 May 2022	29 June 2022	Yes	https://www.hornsby.nsw.gov.au/council/forms-and-publications/publications/delivery-program-and-operational-plan
Long Term Financial Plan (updated)	4 Oct 2022 to 8 Nov 2022	23 Nov 2022	Yes	https://www.hornsby.nsw.gov.au/__data/assets/pdf_file/0014/235112/HSC6811-Long-Term-Financial-Plan-Adopted-Final.pdf
Asset Management Strategy / Plan(s)	Not applicable	28 Sept 2022	Yes	https://www.hornsby.nsw.gov.au/__data/assets/pdf_file/0008/232478/HSC6810-Asset-Management-Strategy.pdf
Operational Plan	14 April 2022 to 16 May 2022	29 June 2022	Yes	https://www.hornsby.nsw.gov.au/council/forms-and-publications/publications/delivery-program-and-operational-plan
Workforce Management Plan	Not applicable	11 May 2022	Yes	https://www.hornsby.nsw.gov.au/__data/assets/pdf_file/0007/232477/HSC-Workforce-Management-Plan.pdf
Long Term Financial Plan (initial)	12 May 2022 to 9 June 2022	13 July 2022	Yes	This version of the LTFP has now been replaced by the updated LTFP above.

What, if any, relevant issues arose in the public exhibition of the IP&R documents?

In the text box explain any issues arising from the council's IP&R processes and documentation associated with the proposed SV which you consider are relevant factors in assessing the council's application, including responses to public exhibition.

This question seeks information about issues that arose in the council's undertaking of its IP&R processes with the community by publicly exhibiting the IP&R documents, which could be relevant for IPART's assessment of the council's application.

After robust community engagement in the development of the CSP (see Attachments 9 and 13), 57 submissions were received on the Community Strategy Plan 2022-2032. Of these, 35% indicated support, 32% didn't express a view and 33% indicated that they were not supportive. Changes requested by six submissions were included in the final CSP. Where no action was taken on submission requests, this was due to a submission not being related to the CSP (e.g. pothole maintenance), the submission requested something that was already covered in the draft CSP, or the requested change was to include specifics that were in the Delivery Program and Operational Plan.

In response to submissions, Council developed a "How We Measure Progress" document that contained more information on indicators and data sources, which was made available on Council's website. Other changes included:

- Increased consideration of aging population in actions.
- Inclusion of key objectives of Resilience Strategy in CSP.
- Inclusion of references to active lifestyle and shade.
- Increased consideration of importance of built and natural shade to provide against exposure to UV radiation.
- Inclusion of reference to affordability and consideration of coverage to vulnerable groups.
- Increased consideration of healthy eating and improving access to fresh and affordable foods.
- Inclusion of three key strategies that support a resilient and sustainable Hornsby Shire.
- Inclusion of connectivity and transport hubs in integrated transport.
- Inclusion of pedestrian and pedal cyclist casualties in road safety indicator.
- Inclusion of an indicator measuring access to public transport.
- Increased consideration of agricultural growing areas.

From the exhibition of the Delivery Program 2022-2026 (including the Operational Plan 2022-23), Council received 66 submissions. Attachment 31, which formed part of the business paper to Council for the adoption of the Delivery Program on 29 June 2022, outlines the submissions

and provides Council's response to each. The vast majority of submissions (47) related to capital works / asset maintenance and the backlog of infrastructure projects, which require funding.

Council's updated LTFP was publicly exhibited alongside the community consultation period for the SV. Key issues identified in this process are outlined in Attachment 15, p.15 and Appendix H (pp.228-236). In response to the feedback, Council has resolved to increase its pensioner rate concession by \$50 to \$300 from 2023-24 and to undertake a comprehensive review of its Hardship Policy, as outlined above.

Criterion 5 – Productivity improvements and cost containment strategies

Criterion 5 in the SV Guidelines is:

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 has been incorporated in the council's Long Term Financial Plan

This Application Form asks four questions relating to:

1. The approach to improving productivity in operations and asset management.
2. Outcomes realised from productivity improvements and cost containment strategies in past years.
3. Productivity improvements and cost containment strategies planned for future years.
4. Evidence of productivity and efficiency.

Councils can adopt a very broad range of strategies, initiatives or activities to improve the efficiency of their operations and the productivity of their workforce, and to contain costs and increase revenue. They may arise from reviewing service priorities, levels of service, labour and capital inputs, and organisational structures or services to be delivered.

Drawing on our experience in past years, we will be placing an emphasis on councils' applications demonstrating how they satisfy criterion 5. To demonstrate that a council has met this criterion, it is not sufficient to list a series of cost-saving or revenue-raising initiatives. Councils should provide evidence of strategies and activities and robust data quantifying the efficiency gains.

What is the council's strategic approach to improving productivity in its operations and asset management?

The council's response should identify how, as an organisation, it has approached improving productivity in its operations and asset management. It could refer to approaches such as:

- comprehensive strategic-level review of council operations including service priorities, levels of service, labour and capital inputs
- targeted reviews of discrete areas of council operations encompassing all aspects of processes, procedures, procurement, scheduling and equipment use
- reviewing service standards so that the more closely align with community expectations
- organisational restructure

- redesigning processes such as financial reporting, people/performance/project management to achieve efficiencies
- reviewing procurement strategies
- pursuing opportunities for commercialisation and business improvement
- review of assets in order to rationalise and divest property.

Please provide the council's response in the text box below.

Council has delivered and continues to deliver the benefits of a significant program of cost containment and savings that have assisted Council's financial sustainability and capacity to redirect savings into new services and to reduce debt. To continue to maintain financial sustainability it is recognised that both an ongoing program of continual improvement and review of services will be required to meet an increasingly challenging financial environment and a community with high expectations. To this end, Council's suite of adopted Integrated Planning and Reporting documents identified the requirement to develop and implement a program of service reviews (Continual Improvement Program).

Attachment 23 outlines in detail our endorsed approach to ongoing service reviews, cost containment and continual improvement. Council will undertake a horizontal and comprehensive strategic-level review of Council operations including service priorities, levels of service, labour and capital inputs. Following the horizontal review a Continual Improvement Program for all services will be prioritised and implemented and included in the Delivery Program and 2023/24 Operational Plan.

Council continuously confirms community expectations through its regular community expectation surveys (see Attachment 8), its IP&R engagement (see Attachment 9) and engagement on specific strategies (see Attachments 10, 11, 12, 13 and 24).

Council has demonstrated its ability to utilise key organisational processes and levers to drive cost containment and productivity gains, including freezing budgets on non-labour operating costs and ring-fencing savings through the quarterly review process (see response in next section), which it will continue to utilise to ensure Council remains efficient in its service delivery – this is evident in Council's LTFP (Attachment 4).

What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?

In responding to the questions that address this point, wherever possible the council should:

- provide information about productivity improvements and cost containment strategies implemented during at least the past two years
- quantify in dollar terms the gains past initiatives have realised
- present these gains as a percentage of operating expenditure.

You may in this question provide evidence of overall improvements in the council's financial situation from productivity and operational improvements and provide specific examples of initiatives or activities such as:

- introducing environmental and energy efficiency initiatives
- adopting more efficient information and communications technology for a range of activities such as communications, document processing, financial transactions, outdoor staff operations, e-recruitment
- shared purchasing through joint organisations of councils
- improved management of workers compensation insurance claims and safety audit
- seeking private contract works for road maintenance
- contracting to provide services to other councils
- reviewing community venue management to increase the utilisation of venues and associated revenues
- reviewing charges to ensure greater cost-recovery for council-provided services
- review of and refinancing loan borrowings
- adopting waste management strategies to reduce landfill waste and associated costs.

Please provide the council's responses to the questions in in the text boxes below.

a. Explain initiatives undertaken in the past few years to improve productivity and contain costs.

Council's LTFP (Attachment 4) outlines in detail the productivity improvements and cost containment strategies implemented during the past few years. In particular, Council has undertaken the following initiatives to contain costs and improve productivity:

- Reviewing all internal services in 2012
 - Reviewing all external services in 2013
 - Implementing vigilant budgetary management processes through the quarterly review process, identifying and ring-fencing savings throughout the financial year.
 - Tendering for operations of Aquatic Centres for optimal efficiency in service delivery.
 - Review of Childcare operations.
 - Review of Development Application pricing.
 - Review of Workers Compensation Insurance scheme and other insurances.
 - Utilising savings achieved to reduce the need for debt to fund the Hornsby Aquatic and Leisure Centre in redevelopment from 2013, resulting in an annual average interest savings of \$513 thousand over the 20-year life of the loan.
 - Implementing a general freeze on any increase to non-labour operational expenditure unless grants and/or fees and charges could support an increase in 2014-15 and again in 2017-18. In 2014-15, this resulted in costs being contained to a 1.1 per cent increase.
-

b. Outline the outcomes which have been achieved.

These measures resulted in:

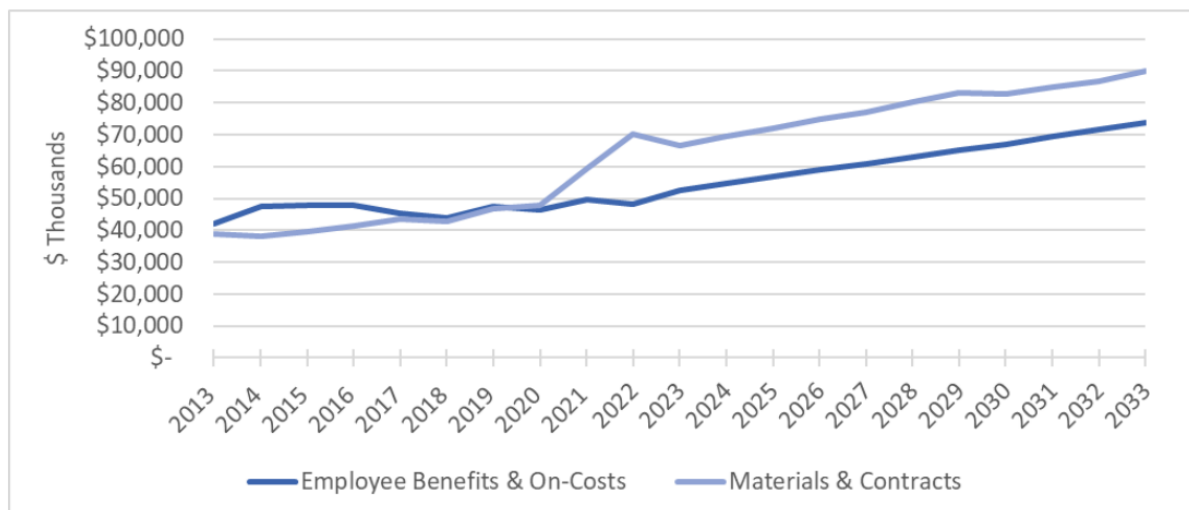
- Financial savings that were reinvested in services and infrastructure.
- Improved revenues from investments and waste services.
- Reduced staff turnover and reduction in casual employment needs.
- Reduced workers compensation and other insurance premiums.
- Reduced borrowing costs.
- Reduced subsidies for Epping and Galston Aquatic Centres.

c. Where possible, quantify the gains these past initiatives have realised.

Over the last 10 years, Council has implemented service cost containment strategies which have resulted in Council delivering an average of \$6.2 million of annual ongoing costs savings and revenue improvements, with a further \$3.2 million in one-off cost savings (see Attachment 25). Since 2012, this has delivered a total of \$52.5 million of benefits that were reinvested in service delivery and infrastructure.

An analysis of Council's Employee and Materials & Contracts costs since 2013 shows that the measure of tight budget control and cost freezes have allowed Council to keep these costs relatively stagnant over this timeframe, as the figure below indicates. (from Attachment 20 – SRV Background Paper, p.2). The jump in Materials & Contracts costs from 2020 to 2021 was predominantly the result of a reclassification of \$9 million in costs from Other Expenses to Materials and Contracts.

Figure 1 Employee and materials costs (2013 actuals to 2033 forecasted)



What productivity improvements and cost containment strategies are planned for future years?

The council should provide information that details initiatives planned for the next two years when requesting a one-year section 508(2) SV, or to match the duration of the proposed SV.

The response should, wherever possible:

- estimate the financial impact of strategies intended to be implemented in the future
- present these as a percentage of operating expenditure
- indicate whether the proposed initiatives have been factored into the council's Long Term Financial Plan.

In the text boxes below:

a. Explain the initiatives which the council intends to implement.

Attachment 23 outlines in detail our endorsed approach to ongoing service reviews, cost containment and continual improvement. Council will undertake a horizontal and comprehensive strategic-level review of Council operations including service priorities, levels of service, labour and capital inputs. Following the horizontal review a Continual Improvement Program for all services will be prioritised and implemented and included in the Delivery Program and 2023/24 Operational Plan.

In addition, Council will continue to maintain control on costs through the budgetary management processes that have produced demonstrated results in the past. These are outlined above.

Additionally, Council is also reviewing income opportunities as per its Delivery Program (Attachment 3). With Council's history of cost containment and productivity gains, future service reviews are not expected to produce significant efficiencies for current service levels, but they will ensure that Council continues to provide value for money and meet service level expectations with the community.

Council has identified the Development Assessment Process and Administration Services as the first two areas to be reviewed and this will be included in the 2023/24 Operational Plan.

b. Estimate their financial impact.

Given the work undertaken in the last 10 years to contain costs and find efficiencies, there is not expected to be significant savings made. The Continuous Improvement Program will help to further align service delivery to community expectations and seek continuous improvement including realignment of resources where possible. Council is also focusing on improved management of its property portfolio and new revenue sources such as paid parking. Given the long lead times associated it is anticipated that subsequent versions of Council's LTFP and Delivery Program will reflect possible revenue growth. These are not anticipated to be significant before the later years of the current LTFP.

c. Indicate whether these have been incorporated in the council's Long Term Financial Plan.

The ongoing benefits of savings made are included in the Long Term Financial Plan. Given the work completed and savings made to date, the financial impact of the current Continuous Improvement Program will help to ensure that costs are kept in line with the current inflationary growth factored in the LTFP.

How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?

To demonstrate how efficiency has changed over time, councils could use data based on studies of the council itself, or measures against the performance of comparable councils, and also rely on comparative data produced by OLG data such as:

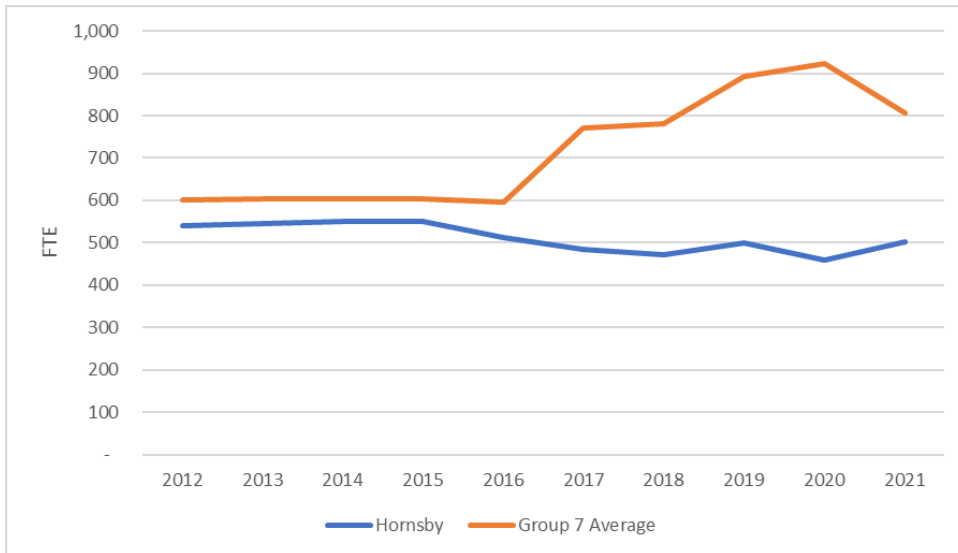
- number of full-time employees (FTE)
- ratio of FTE to population
- average cost per FTE
- employee and on-costs as percentage of ordinary expenditure
- consultancy/contractor expenses over time.

In the text box summarise data which demonstrates how the council has improved productivity and indicate its performance against that of comparable councils.

Hornsby Shire Council demonstrates consistently strong productivity and efficiency in comparison with other similar councils. Hornsby Shire Council is part of the OLG's grouping of Sydney Metropolitan Fringe Councils, Group 7.

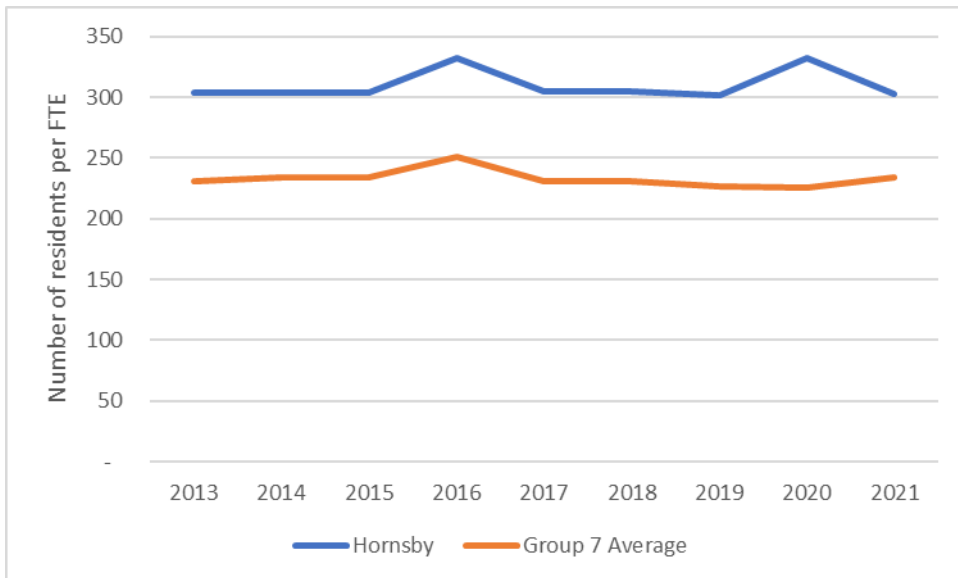
The time series data published by OLG show that Hornsby Shire Council has a significantly lower FTE than the average for Group 7. It should be noted that in 2016, the average FTE for the Group jumped significantly as a result of the amalgamation of Gosford and Wyong Councils.

Total Full Time Equivalent staff (FTE)



Efficiency of staff is also demonstrated by Hornsby Shire Council consistently performing above the Group 7 average for the number of residents for every full time equivalent staff member.

Population per Full Time Equivalent staff (FTE)



At the same time, Hornsby Shire Council has maintained an operating cost per FTE in line with the average of Group 7, as the graph below demonstrates.

Total Operating Expenses per FTE

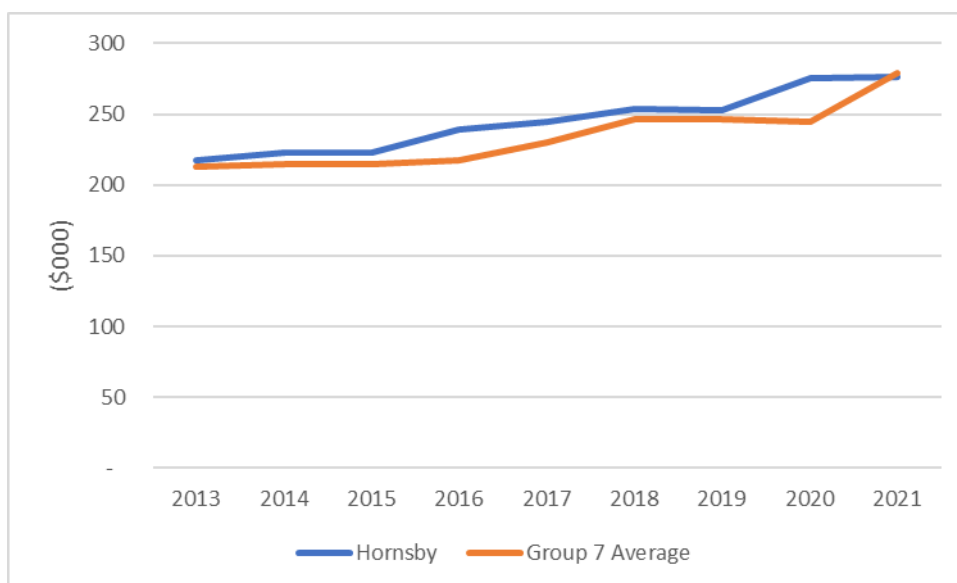


Table 9 Criterion 5 attachments

Council- assigned number	Name of document	Page references ^a
8	Hornsby Shire Council – 2021 Community Satisfaction Survey Full Report	Summary of Finding section, p.8
9	Hornsby Shire Council – CSP Online Survey Outcomes – Final Report Oct 2021	Section 4.2, p. 10
10	Hornsby Shire Council – Quality of Life & Asset management Survey Outcomes – Final Report July 2020	Part 3: Council assets, pp.22-24
11	Elton Consulting – Hornsby Park Draft Master Plan - Community Engagement Outcomes Report – July 2021	Section 4, pp.8-26
12	Hornsby Shire Council - Summary of community engagement outcomes from 2018-2021 (one page summary)	
13	Hornsby Shire Council - Community Engagement Issues Summary for 2022-23 Community Strategic Plan	Emerging themes, p.5
24	JOC Consulting – LSPS Engagement Outcomes Report - Feb 2020)	pp. 5-9
25	Hornsby Shire Council - Implemented Improvements Summary & supporting materials	p.1
21	Morrison Low - Capacity to Pay Report	p.2
3	Hornsby Shire Council - Delivery Program 2022-2026 (including the Operational Plan 2022-23)	
23	Hornsby Shire Council - Continuous Improvement Program	

a. If document only relevant in part.

Criterion 6 – Other relevant matters

Criterion 6 in the SV Guidelines is:

Any other matter that IPART considers relevant.

The Guidelines provide further that we will assess each application based on its merits against the assessment criteria. In doing so, the following may be considered:

- size of the council
- resources of a council
- size (both actual \$ and %) of increase requested
- current rate levels and previous rate rises
- purpose of the SV
- compliance with this or any other applicable guideline
- compliance with the conditions of any previous SVs, and
- any other matter considered relevant in the assessment of a SV application.

In assessing applications for SVs for 2023-24, IPART will continue its approach of assessing each of the five criteria, then making an overall assessment taking into account these other relevant factors.

The council should only respond to this question if it wishes to provide information in addition to that provided elsewhere in the Application which it would like IPART to consider when assessing its proposed SV. It is not necessary to specifically deal with several of the factors listed in OLG's Guidelines such as the size of increase requested, current rate levels and previous rate rises, and purpose of the SV.

The response may refer to any other matters the council considers relevant to IPART's deliberations. In the text box the council may provide information in addition to that provided elsewhere in the Application Form which it would like us to consider when assessing its proposed SV.

No other matters have been identified.

Reporting requirements SV compliance

In the text box propose SV compliance requirements in addition to those in the IP&R documentation that the council feels are appropriate for this application (if relevant).

Click here to enter text.

Table 10 Criterion 6 attachments

Council- assigned number	Name of document	Page references ^a

a. If document is only relevant in part.

Council certification and contact information

Councils must submit a declaration in the specified form. It should be completed by the General Manager and the Responsible Accounting Officer.

Certification of application

Prepare a document in the form indicated below, sign, scan and attach as a public supporting document.

Application for a Special Rate Variation

To be completed by General Manager and Responsible Accounting Office

Name of council:

Hornsby Shire Council

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

General Manager (name):

Steven Head

Signature and Date:

2 February 2023

Responsible Accounting Officer (name):

Duncan Chell

Signature and Date:

2 February 2023

Note: These signatures will be redacted before publication of the application.

Council contact information

IPART's formal contact with the council will be with the General Manager.

During the assessment period, IPART officers are likely to contact the council with detailed queries about the application and supporting documents. Councils should provide details of the primary contact for such inquiries where this person is a council officer who is not the General Manager. Council officer contact details will be redacted before publication of this application.

General Manager

General Manager contact phone

Steven Head - [REDACTED]

General Manager contact email

[REDACTED]

Note: These contact details will be redacted before publication of the application.

Primary council contact

Council contact phone

Steven Head - [REDACTED]

Council contact email

[REDACTED]

Council email for inquiries about the SV application

hsc@hornsby.nsw.gov.au

Note: These contact details will be redacted before publication of the application.

Secondary council contact

Council contact phone

Duncan Chell

Council contact email

[REDACTED]

Council email for inquiries about the SV application

hsc@hornsby.nsw.gov.au

Note: These contact details will be redacted before publication of the application.

List of attachments

To complete (adding rows as necessary):

- Assign an identifying number and/or letter to each document.
- Name each document.
- Check the box to indicate that it is being submitted with the application.

List of attachments to the council's application

Council-assigned number	Name of attachment	Is the document included in the application as submitted?
Mandatory forms/attachments		
0-A	Application Form Part A (Excel spreadsheet)	<input checked="" type="checkbox"/>
0-B	Application Form Part B (this Word document)	<input checked="" type="checkbox"/>
1	Meeting Minutes from 23 Nov 2022 - resolution to apply for Special Variation	<input checked="" type="checkbox"/>
	Certification	<input checked="" type="checkbox"/>
If applicable for Description and Context Question 4		
n/a	Instrument for expiring special variation	<input type="checkbox"/>
n/a	OLG advice confirming calculation of amount to be removed from the council's general income	<input type="checkbox"/>
If applicable for Description and Context Questions 5 and 6		
n/a	Declaration of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
16	Relevant instrument(s) for past special variations (if applicable)	<input checked="" type="checkbox"/>
n/a	Evidence of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
Mandatory public supporting material (i.e. to be published on IPART's website)		
2	Community Strategic Plan 2022-2032 – Relevant extracts	<input checked="" type="checkbox"/>
3	Delivery Program 2022-2026 (including the Operational Plan 2022-23) – Relevant extracts	<input checked="" type="checkbox"/>
4	2024 - 2033 Long Term Financial Plan (updated - adopted 23 Nov 2022)	<input checked="" type="checkbox"/>
5	2023 - 2032 Long Tern Financial Plan (initial - adopted 13 July 2022)	<input checked="" type="checkbox"/>
26	Long Term Financial Plan Statements in Excel format – Base Case	<input checked="" type="checkbox"/>
27	Long Term Financial Plan Statements in Excel format – SV Case	<input checked="" type="checkbox"/>
7	Resolutions adopting IP&R documents	<input checked="" type="checkbox"/>
15	SRV Community Engagement Summary Report	<input checked="" type="checkbox"/>
14	SRV Community Engagement Action Plan	<input checked="" type="checkbox"/>
21	Capacity to Pay Report	<input checked="" type="checkbox"/>
22	Hardship Policy	<input checked="" type="checkbox"/>
30	BIS Oxford - Hornsby Shire Council Financial Review	<input checked="" type="checkbox"/>

Council- assigned number	Name of attachment	Is the document included in the application as submitted?
Other public supporting material		
6	2024 - 2033 Asset Management Strategy	<input checked="" type="checkbox"/>
8	2021 Community Satisfaction Survey - Full Report	<input checked="" type="checkbox"/>
9	CSP Online Survey Outcomes - Final Report Oct 2021	<input checked="" type="checkbox"/>
10	Quality of Life & Asset Management Survey Outcomes - Final Report July 2020	<input checked="" type="checkbox"/>
11	Hornsby Park Draft Master Plan - Community Engagement Outcomes Report - July 2021	<input checked="" type="checkbox"/>
12	Summary of community engagement outcomes from 2018-2021	<input checked="" type="checkbox"/>
13	Community Engagement Issues Summary for 2022-2032 Community Strategic Plan	<input checked="" type="checkbox"/>
20	SRV Background Paper	<input checked="" type="checkbox"/>
23	Continuous Improvement Program	<input type="checkbox"/>
24	LSPS Engagement Outcomes Report - Feb 2020	<input checked="" type="checkbox"/>
32	Hornsby Shire Council Asset Management Community Insight Report November 2020	<input checked="" type="checkbox"/>
25	Implemented Improvements Summary & supporting materials	<input checked="" type="checkbox"/>
31	Table 1A Public Submissions to Delivery Program 2022-2026 (including the Operational Plan 2022-23)	<input checked="" type="checkbox"/>
33	Hornsby Shire Council Report GM34/22 - Adoption of a Draft Long Term Financial Plan for 2023/24 - 2032/33 and Progression of a Special Rate Variation Application for 2023/24	<input checked="" type="checkbox"/>
Confidential supporting material (i.e. not to be published on IPART's website)		
17		<input checked="" type="checkbox"/>
18		<input checked="" type="checkbox"/>
19		<input checked="" type="checkbox"/>
34		<input checked="" type="checkbox"/>
28		<input checked="" type="checkbox"/>
29		<input checked="" type="checkbox"/>
35		<input checked="" type="checkbox"/>

Important information

Submitting online

Applications must be submitted through the Council portal by close of business on Friday, 3 February 2023.

- A file size limit of 10MB applies to the Part B Application Form.
- For supporting documents (Attachments) a file size limit of 400MB applies to public documents, and another 200MB to confidential documents.

Confidential content

We will publish all applications (excluding confidential content) on our website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, a document such as a council working document that does not have formal status, or document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as CONFIDENTIAL.

Publishing the council's application

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