

Independent Pricing and Regulatory Tribunal  
New South Wales

# Muswellbrook Shire Council's application for a special variation for 2017-18

Under section 508A of *Local Government Act 1993*

Determination  
Local Government

May 2017



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# 1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises income from rates. Each year we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Under the *Local Government Act 1993* (the Act) councils may apply to us for a special variation (SV) that allows them to increase their general income by more than the rate peg. These increases may be either for a single year (s508(2)) or for successive years up to seven years (s508A).

IPART assesses these applications against criteria in Guidelines set by the Office of Local Government (OLG).<sup>1</sup> Box 1.1 explains the Guidelines for 2017-18.

Muswellbrook Shire Council applied for a multi-year special variation under section 508A. The council requested increases of 4.0% for 2017-18 and 5.0% for each of the three years between 2018-19 and 2020-21, a cumulative increase of 20.39% over the four year period. It applied for the increase to remain permanently in the rate base.<sup>2</sup>

After assessing the council's application, we decided to not approve the special variation. We have made this decision under section 508A of the Act.

## **Box 1.1 The Guidelines for 2017-18**

IPART assesses applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income for 2017/2018*, issued by the Office of Local Government. Refer to Table 3.1 for more details on the criteria in the Guidelines.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) processes and documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. The IP&R documents, in particular the Delivery Program and Long Term Financial Plan, must contain evidence that supports a council's application for a special variation.

<sup>1</sup> Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income for 2017/2018*, December 2016 (the Guidelines).

<sup>2</sup> Muswellbrook Shire Council, *Special Variation Application Form Part A 2017-18* (Muswellbrook Shire Application Part A), Worksheet 1.

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We have made our determination on the basis that the council did not satisfy the criteria in making the community sufficiently aware of the rate rise and appropriately updating its IP&R documentation prior to applying to IPART.

In particular the council's community consultation did not make clear the size or extent of the increase being sought. The council's consultation extensively quoted the increase above the assumed rate peg rather than the full increase in rates. This resulted in substantially different figures being presented to the community (annual increases of 2.5% rather than the actual 5% a year increases, and a 10% cumulative increase rather than the actual 20.39% cumulative increase over four years).

Further, the council did not appropriately update its Long Term Financial Plan (LTFP) prior to applying to IPART as is required by the Guidelines.

Our decision means the council may only raise its general income by the rate peg (1.5%) in 2017-18.

## **1.1 Our decision**

We determined that Muswellbrook Shire Council may not increase its general income in 2017-18 by more than the rate peg to which the council would otherwise be entitled (1.5% in 2017-18).<sup>3</sup>

The council proposed to use the SV revenue to repay long term loans that would be used to fund three future projects. The loan repayments begin in 2019-20. Hence, if the council wishes to use the additional rates revenue provided by an SV to fund these projects, it would need to reapply to IPART for an SV in future years.

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<sup>3</sup> The council has not identified any factors in its application which would alter its general income such as Crown Land adjustments, prior year catch ups or valuation objections.

## 2 What did the council request and why?

Muswellbrook Shire Council applied to increase its general income by a cumulative 20.39% over the 4-year period from 2017-18 to 2020-21, and to permanently incorporate this increase into its general income base.<sup>4</sup> The increase is 11.09% above the assumed rate peg up to 2020-21.

Over the 4-year period to 2020-21, the special variation would generate additional revenue of \$3.4 million compared to rate increases at the assumed rate peg. This figure would increase to \$12.6 million over a 10-year period, as the special variation would have remained permanently in the council's rate base.

The council intended to use the additional revenue from the special variation to fund loan repayments for three key community projects with an estimated cost of \$36 million:

- ▼ stage 3 of the Muswellbrook Regional Aquatic Centre upgrade (\$7 million)
- ▼ the implementation of the Denman Town Centre Master Plan (\$5 million), and
- ▼ the development of Muswellbrook Regional Convention and Performance Centre (\$24 million).<sup>5</sup>

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<sup>4</sup> Muswellbrook Shire Council, *Application Part A*, Worksheet 1.

<sup>5</sup> Muswellbrook Shire Council, *Application Part B*, p 4.

### 3 How did we reach our decision?

We assessed Muswellbrook Shire Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents put forward in support of its application, as well as its FFTF proposal and a range of comparative data about the council, set out in Appendix B.<sup>6</sup>

Muswellbrook Shire Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan 2017-2027, Delivery Program 2017-21, and Asset Management Strategy*.

The rate increases for which the council has applied are moderate. We considered, among other things, the council's need for the increase, its consultation with the community, its consideration of the community's priorities, capacity and willingness to pay as well as the impact of the rate increase on ratepayers.

We found Muswellbrook Shire Council's application did not meet the criteria. In particular, we found:

1. The **need for the proposed revenue** is demonstrated in the council's IP&R documents, and reflects community priorities and desires for new infrastructure.
2. The council **did not** demonstrate **the community is aware** of the need for and extent of the rate increases. Its community consultation did not make clear the extent and impact of the rate increase requested. The council incorrectly used rate increase figures that did not include the rate peg increase. This meant the rate increases consulted on were significantly below the actual increase that would occur under the special variation.
3. The **impact of the proposed rate rises on ratepayers** is moderate and reasonable given the council's existing rate levels, its history of special variations and the purpose of the special variation.
4. The council provided **insufficient evidence** the relevant **IP&R documents have been consulted on, updated, exhibited and adopted**. In particular the council did not appropriately update its Long Term Financial Plan (LTFF) prior to applying to IPART.
5. The council demonstrated **productivity savings and cost containment strategies** in past years, and indicated its intention to realise further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria. Sections 3.1, 3.2 and 3.3 discuss our findings against criteria 1, 2 and 4 in more detail.

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<sup>6</sup> See Appendix B. Muswellbrook Shire Council is in OLG Group 11, which is classified as Rural Very Large Agricultural. The group comprises 19 councils, including councils such as Bellingen Shire, Cabonne Shire and Inverell Shire.



**Table 3.1 Summary of IPART’s assessment of Muswellbrook Shire Council’s application for a special variation against the criteria in the Guidelines**

Criterion	IPART findings
<p>1. 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&amp;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&amp;R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.</p>	<p>Aspects of the council’s IP&amp;R documents explain the need for and purpose of the council’s special variation (SV) proposal, and show:</p> <ul style="list-style-type: none"> <li>▼ It is consistent with community priorities</li> <li>▼ It would provide long term funding to repay loans that would be taken out to fund the construction of new community based infrastructure, and</li> <li>▼ If the council does not undertake the additional spending it is otherwise in good financial shape and is financially sustainable without an SV.</li> </ul> <p>The council has considered alternatives to a rate rise but has determined the new community projects should proceed and be funded by the extra revenue from an SV.</p>
<p>2. Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.</p>	<p><b>This criterion is not satisfied.</b></p> <p>Overall, we consider the community was not adequately consulted. While the council used a range of engagement methods to make the community aware of the need for a rate rise and to seek community feedback, it failed to properly communicate the extent and impact of the rate rise. In particular, the council’s community consultation did not adequately explain to the community that rates would rise by both the rate peg and the proposed SV. The actual rate rise requested by the council (20.4%) is double the figure used by the council in its consultation material (10%). Additionally, the emphasis of much of the council’s consultation documents was on the cumulative weekly impact after four years above the assumed rate peg (\$1.44). This is contrary to best practice which stipulates the cumulative, annual total (\$120) should be presented to the community so it is made aware of the impact of the SV.</p> <p>The council has not satisfied this criterion as a result of the representations on both the extent and impact of the increases.</p> <p>IPART received 4 submissions, all opposing the SV.</p>
<p>3. 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:</p> <ul style="list-style-type: none"> <li>▼ clearly show the impact of any rises upon the community</li> <li>▼ include the council’s consideration of the community’s capacity and willingness to pay rates and</li> <li>▼ establish that the proposed rate increases are affordable having regard to the community’s capacity to pay.</li> </ul>	<p>The impact on ratepayers would have been modest and reasonable given:</p> <ul style="list-style-type: none"> <li>▼ The council’s rates are below the average of other Group 11 councils,</li> <li>▼ The modest size of the increase, and</li> <li>▼ The higher than average incomes of ratepayers in the council area compared to other Group 11 councils.</li> </ul>

Criterion	IPART findings
4. 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.	<p><b>This criterion is not satisfied</b></p> <p>The council adopted the Community Strategic Plan (CSP) in February 2017. The council exhibited its Delivery Program (which included the SV between December 2016 and January 2017 and adopted it on 7 February 2017.</p> <p>The council's LTFP setting out the SV scenario was not finalised prior to its application to IPART. At the time of the application the council had only endorsed the excel spreadsheets with base and SV cases. This is insufficient under the IP&amp;R guidelines which require the LTFP to consist of more than spreadsheets.</p>
5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.	<p>Over the last 2 years, the council has realised savings in operating expenditure of \$400,000 per year. The largest efficiencies include:</p> <ul style="list-style-type: none"> <li>▼ an organisational review resulting in a net 3 Full Time Equivalent reduction (\$250,000 pa)</li> <li>▼ energy efficiency measures such as reticulated water use and solar PV generation (\$50,000 pa)</li> </ul> <p>The council is also making greater use of shared services through the Hunter Joint Organisation which has seen cost reductions in legal services, records storage and staff training as well as shared use of specialist council staff.</p>

**Note:** SEIFA is the Socio-Economic Indexes for Areas: refer to Appendix B, Table B.2.

**Source:** Muswellbrook Shire, *Application Part A*, and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Muswellbrook Shire Council Financial Assessment, Sustainability and Benchmarking Report*, Muswellbrook Shire, Delivery Program 2017/27, Muswellbrook Shire, Long Term Financial Plan 2017-2027 .

### 3.1 Need for an purpose of the special variation

We consider the council has met this criterion.

Muswellbrook Shire Council's IP&R documents set out the need for, and purpose of the requested special variation, which was to fund three key infrastructure projects including:

- ▼ stage 3 of the Muswellbrook Regional Aquatic Centre upgrade
- ▼ the implementation of the Denman Town Centre Master Plan, and
- ▼ the development of Muswellbrook Regional Convention and Performance Centre.<sup>7</sup>

The council's IP&R documents indicate the community's priorities were to maintain infrastructure and assets to support the needs of the population as well as provide additional infrastructure to position Muswellbrook as a regional centre.

### Financial sustainability, including infrastructure backlogs

With the SV, the council forecasts positive Operating Performance Ratios (OPR) with a net surplus of \$4.5 million in the 10 years to 2026-27.

<sup>7</sup> Muswellbrook Shire Council, *Application Part B*, p 4 and Long Term Financial Plan 2017 - 2027, p 29.

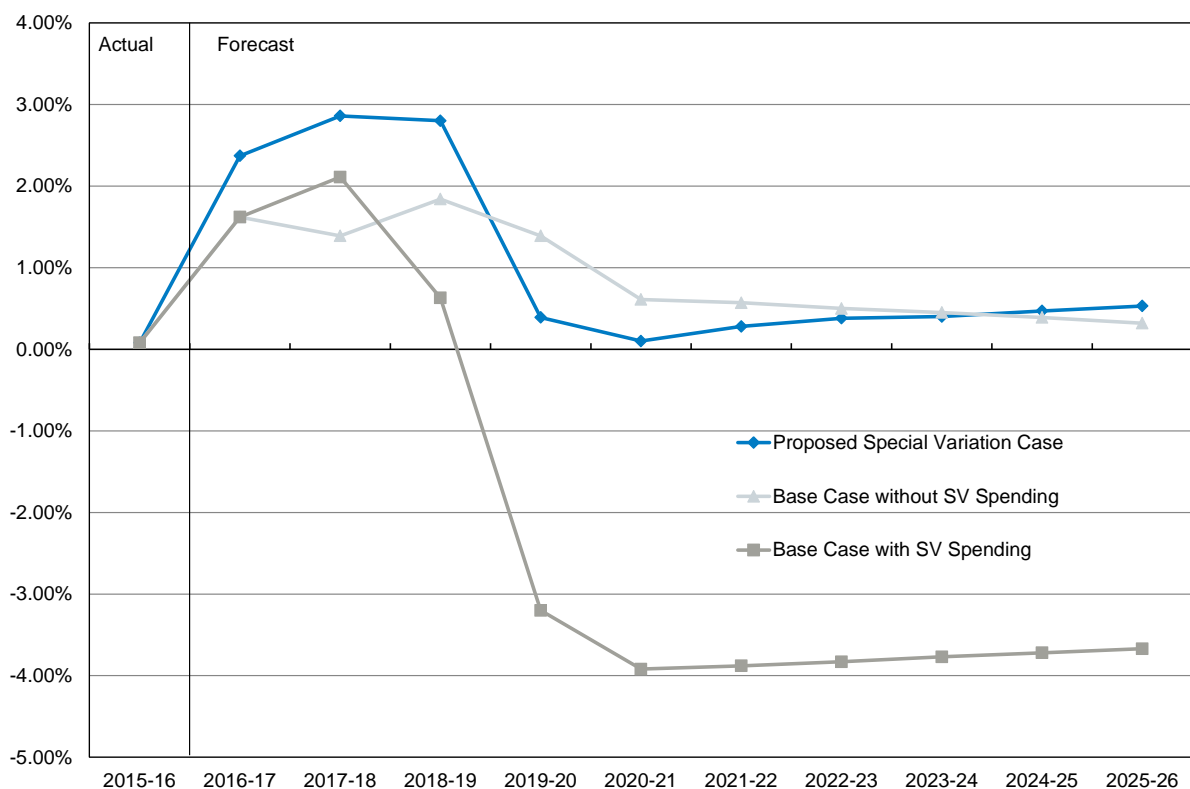
The council estimates the SV would have generated an additional \$12.6 million in revenue over 10 years, which would have been used to fund principal and interest repayments on the \$21.5 million worth of loans the council proposed to use in funding the community projects.<sup>8</sup>

Without the SV, if the projects were to go ahead, the council forecasts operating deficits from 2020-21. The net deficits over the 10 years to 2026-27 would be \$9.9 million. The decline in the council’s OPR is largely due to the ongoing operating costs of the \$24 million Regional Convention and Performance Centre, which is forecast to have a net operating deficit of \$600,000 a year by 2026-27.<sup>9</sup>

If the council does not go ahead with the proposed community projects it will remain in a financially sustainable position. Without the SV revenue or community project spending, the council forecasts positive OPRs with a net surplus of \$3.8 million in the 10 years to 2026-27.<sup>10</sup>

These three scenarios are outlined in Figure 3.1 and Table 3.2 below.

**Figure 3.1 Muswellbrook Council’s Operating Performance Ratio excluding Capital Grants and Contributions (2016-17 to 2026-27)**



**Source:** Muswellbrook Shire Council *Annual Financial Statements*, various, 2017-18, Muswellbrook Shire Council, *Application Part A, Worksheet 7* and IPART calculations.

<sup>8</sup> Muswellbrook Shire Council, *Application Part A, Worksheet 6*.

<sup>9</sup> Muswellbrook Shire Council, *Application Part A, Worksheet 6*.

<sup>10</sup> Muswellbrook Shire Council, *Application Part A, Worksheet 7*.

**Table 3.2 Projected operating performance ratio (%) for Muswellbrook Shire Council's special variation application**

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Application - including SV (20.39% cumulative over 4 yrs)	0.08	2.37	2.86	2.80	0.39	0.10	0.28	0.38	0.40	0.47	0.53
Excluding SV and associated spending	0.08	1.62	1.39	1.84	1.39	0.61	0.57	0.50	0.45	0.39	0.32
Excluding SV but including spending <sup>a</sup>	0.08	1.62	2.11	0.63	-3.20	-3.92	-3.88	-3.83	-3.77	-3.72	-3.67

<sup>a</sup> This figure was calculated by using the proposed spending on the community projects without the additional funds from the SV.

**Source:** Muswellbrook Shire, *Application Part A, Worksheet 7* and IPART calculations.

### Box 3.1 Muswellbrook Shire Council's Fit for the Future (FFTF) Assessment

IPART's Fit for the Future assessment found the council:

- ▼ Met the criterion for sustainability. The council was forecast to meet the **operating performance benchmark** from 2019-20 based on its projected positive OPR, meet the own source revenue benchmark in all forecast years, and meet the asset renewal benchmark in 2019-20.
- ▼ Met the criterion for infrastructure and service management as it met the **infrastructure backlog benchmark** during the time of the assessment. The asset maintenance ratio was forecast to improve to 104% by 2019-20. The council met the debt service benchmark in all forecast years.
- ▼ Met the efficiency criterion based on a declining Real Operating Expenditure per Capita ratio.

The council did not indicate it planned to apply for an SV during FFTF because at that time it did not envisage undertaking the three proposed community projects.

NSW Treasury Corporation (TCorp) observed in 2013 the council's financial position was moderate, and its outlook was neutral. This assessment was made largely because of its then negative operating performance ratio offset by its moderate level of borrowings.

**Source:** IPART, *Assessment of Council Fit for the Future Proposals*, October 2015, and New South Wales Treasury Corporation (TCorp), *Financial Sustainability of the New South Wales Local Government Sector*, April 2013

### Alternative funding options

The council explored alternative funding options for the three projects such as reallocating funds from other activities and services, a review of the fees and charges for community facility use, and the use of long term debt and cash reserves to fund the proposed community projects.

## 3.2 Community engagement and awareness

We consider the council has not met this criterion.

The SV guidelines require councils to engage with their community to ensure it is aware of the need for and extent of a rate rise. IPART's guidelines on this requirement outline how information should be presented to the community. In particular IPART's guidelines state the information provided by council's must show:

- ▼ the requested percentage increases *including* the rate peg, and
- ▼ rates and rate increases on an annual basis (not just daily or weekly basis).

We consider Muswellbrook Shire Council's community consultation did not adequately convey this information to its community and as such, the community is not appropriately aware of the size and extent of the SV the council has applied for.

### Consultation on the size and extent of the SV increase

In its community consultation materials the council consistently did not include the rate peg when discussing the size of the SV increase being sought. Examples include:

- ▼ in its 9 January letter to residents the council describes option 1 (the SV option) as being 'A special rate variation (SRV) of 2.5% per year for four years'<sup>11</sup>
- ▼ the council fact sheet given out to ratepayers also describes option 1 as 'A special rate variation (SRV) of 2.5% per year for four years'
- ▼ when conducting a phone survey of council residents to measure support for the SV, the council's questionnaire asked 'whether they supported Council's application for a 2.5% special rate variation over the next four years'<sup>12</sup>, and
- ▼ A council Facebook post on 5 January 2017 discusses a "...Special Rate Variation of 2.5% each year for four years (accumulating to 10%)."<sup>13</sup>

When consulting the community, the council consistently referenced the average weekly increase above the rate peg rather than the annual cumulative increase after four years as required by IPART's community consultation guidelines. Examples include:

- ▼ a council Facebook post on 6 January 2017 begins "Are you willing to pay an extra \$1.44 in real terms per week in rates for these projects?"<sup>14</sup>

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<sup>11</sup> Muswellbrook Shire Council, Application Part B, Attachment to SV application.

<sup>12</sup> Jetty Research, *A poll of Muswellbrook Shire residents to measure support for a proposed Special Rate Variation*, 7 February 2017.

<sup>13</sup> Muswellbrook Shire Council, Facebook post, 5 January 2017 available online at [https://www.facebook.com/muswellbrookshirecouncil/posts/1541736589189712?comment\\_tracking=%7B%22tn%22%3A%22O%22%7D](https://www.facebook.com/muswellbrookshirecouncil/posts/1541736589189712?comment_tracking=%7B%22tn%22%3A%22O%22%7D) accessed 24 March 2017.

<sup>14</sup> Muswellbrook Shire Council, Facebook post, 6 January 2017 available online at [https://www.facebook.com/muswellbrookshirecouncil/posts/1542877732408931?comment\\_tracking=%7B%22tn%22%3A%22O%22%7D](https://www.facebook.com/muswellbrookshirecouncil/posts/1542877732408931?comment_tracking=%7B%22tn%22%3A%22O%22%7D) accessed 24 March 2017.

- ▼ quotes from council members in the media emphasise the \$1.44 per week (p/w) figure, for example a Councillor was quoted as saying “A regional performance venue would help put Muswellbrook on the map as a regional centre... and all for about an extra \$1.44 each week in real terms”<sup>15</sup>
- ▼ questions from SV community forums run by the council make it clear the \$1.44 figure was front of mind for many ratepayers, for example:
  - “You say it is only \$1.44 p/w on average rate but my rates are much more than the \$723 quoted”<sup>16</sup>
  - “If it is only going to cost \$1.44 p/w, why don’t Council just budget for costs?”<sup>17</sup>

While the council’s fact sheet did also include the cumulative impact on an annual basis in one table, on balance this is outweighed by the council’s other consultation on the extent of the increase.

Further, the \$1.44 per week figure quoted equates to a \$75 per year increase in rates after year 4, which is 38% below the actual increase of \$120 per year once the assumed rate peg is included as required by the guidelines.

By subtracting the rate peg increase from figures quoted to the community, the council has consulted the community on an increase (10%) that is half of the actual size (20%) it applied for to IPART.

By emphasising the weekly above rate peg increase (\$1.44 which itself is 38% less than the actual impact) rather than the cumulative annual increase (\$120), the council has not made the community aware of the full impact of the SV (\$120 compared to \$75). As such the community cannot be said to be aware of the size and extent of the SV increase and the council has not satisfied this criterion.

### 3.3 Reasonable impact on ratepayers

In assessing the reasonableness of the impact of the special variation on ratepayers, we examined the council’s special variation history and the average annual growth of rates in various rating categories. We found that since 2006-07:

- ▼ the council has applied for four and been granted three special variations that were used for infrastructure and road maintenance renewal.
- ▼ the average annual growth in residential ordinary rates was 3.9% and 5.7% for business rates, which is 1% and 2.8% respectively greater than the 2.9% annual increase due to the rate peg.

<sup>15</sup> Muswellbrook Chronicle, *Muswellbrook Shire Council release draft delivery program for community feedback, including three major projects*, 5 January 2017 available online at <https://www.muswellbrookchronicle.com.au/story/4386641/an-exciting-opportunity-awaits-photos/?cs=1235> accessed 24 March 2017.

<sup>16</sup> Muswellbrook Shire Council, Special Rate Variation Community Forums, Attachment to Council SV application, p 1.

<sup>17</sup> Muswellbrook Shire Council, Special Rate Variation Community Forums, Attachment to Council SV application, p 2.

We also compared current rates and socio economic indicators within the LGA as shown in Table 3.3.

**Table 3.3 Muswellbrook Shire Council - comparison of rates and socio-economic indicators with neighbouring councils and Group 11 averages (2014-15)**

Council (OLG Group)	Average residential rate (\$) <sup>a</sup>	Average taxable income (2011)	Ratio of average rates to average income (%)	Outstanding rates ratio (%) <sup>b</sup>	SEIFA Index NSW Rank <sup>c</sup>
Bellingen (11)	968	34,585	2.6	3.30	55
Inverell (11)	766	35,598	2.2	6.01	18
<b>Muswellbrook Shire (11)</b>	<b>714</b>	<b>57,889</b>	<b>1.2</b>	<b>4.38</b>	<b>78</b>
Singleton(4)	782	63,310	1.2	2.81	116
Upper Hunter (11)	675	50,561	1.3	5.80	86
Group 11	<b>719</b>	<b>44,416</b>	<b>1.6</b>	<b>5.15</b>	

<sup>a</sup> The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.

<sup>b</sup> The outstanding rates ratio includes water and sewer.

<sup>c</sup> The highest possible ranking is 153 which denotes a council that is least disadvantaged in NSW.

**Source:** OLG, unpublished data; ABS, *Regional Population Growth, Australia*, August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005/06 to 2010/11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.

Table 3.3 shows:

- ▼ the council's average residential rate level (\$714) is slightly higher than the Group 11 average (\$711) based on 2014-15 data.
- ▼ the council's average taxable income (\$57,889) is higher than Group 11 averages (\$43,932)
- ▼ the council's ratio of rates to income at 1.2% is below Group 11 averages and equal or below neighbouring councils
- ▼ outstanding rates ratio at 4.4% is below the average of Group 11 councils (5.2%).

Taking all these factors into account, we consider that the impact of the increases is modest and reasonable, given the council's existing rate levels, history of previous special variations, the socio economic indicators in the LGA and the purpose of the application.

### 3.4 IP&R documents must be exhibited

The council has not satisfied this criterion.

The SV guidelines published by OLG in December 2016 require:

The relevant IP&R documents<sup>18</sup> must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income.

The council did not approve and adopt the full Long Term Financial Plan (LTFP) prior to applying to IPART for the SV. At the time of its application to IPART the council had only approved the updated excel spreadsheets rather than the full document. The spreadsheets outline the raw financial data and forecast spending under a base case of no SV and with the SV. However, these spreadsheets do not themselves provide sufficient clarity to the community about how the council's finances will change as a result of the SV.

The full LTFP, which was provided to IPART after the application deadline but does not appear to have been endorsed by council, goes into more detail about the council's planning assumptions, financial sustainability and the council's capital works program including breaking down the different sources of funding for the new community projects. The IP&R manual notes that a key component of the LTFP is easy to read commentary to explain financial information, **not just spreadsheets**.<sup>19</sup>

Without this additional information the council's LTFP was incomplete at the time it applied to IPART for an SV. Therefore it has not satisfied this criterion.

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<sup>18</sup> The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, Asset Management Plan. It would also be expected the Long Term Financial Plan be posted on the council's website.

<sup>19</sup> Office of Local Government, *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, p 14.



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## 4 What does our decision mean for the council?

Our decision means that Muswellbrook Shire Council may not increase its general income by more than the rate peg (1.5%) in 2017-18. The council is to determine how the rate peg increase will be distributed amongst ratepayer categories.





## Appendices



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## A Expenditures to be funded from the special variation above the rate peg

Table A.1 shows Muswellbrook Shire Council's proposed expenditure of the special variation funds over the next 10 years.

The council would have used the additional special variation revenue, above the rate peg, of \$12.6 million, over 10 years to fund:

- ▼ Stage 3 of the Muswellbrook Regional Aquatic Centre upgrade
- ▼ the implementation of the Denman Town Centre Master Plan, and
- ▼ the development of Muswellbrook Regional Convention and Performance Centre.<sup>20</sup>

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<sup>20</sup> Muswellbrook Shire Council *Application Part A*, Worksheet 6, and Muswellbrook Shire Council, *Application Part B*, pp 4-5.

**Table A.1 Muswellbrook Shire Council – Income and proposed expenditure over 10 years related to the special variation (\$000)**

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total
<b>Special variation income above assumed rate peg</b>	317	654	1,016	1,404	1,440	1,476	1,512	1,550	1,589	1,629	12,586
Transfers from reserves	317	612	242	-515	-312	-224	-163	-144	-96	-43	-1,497
Aquatic Centre Loan + Interest			160	223	223	222	223	223	223	223	1,720
Denman CBD Loan + Interest			130	159	158	158	158	159	159	159	1,240
Performance Centre Loan + Interest			379	997	984	984	976	961	950	938	7,169
Other additional spending		42	105	540	386	336	319	351	353	352	2,784
<b>Total expenditure</b>	317	654	1,016	1,404	1,440	1,476	1,512	1,550	1,589	1,629	12,586

**Note:** Numbers may not add due to rounding. Total special variation expenditure equals funding for increased operating expenditures plus funding for capital expenditure

**Source:** Muswellbrook, *Application Part A*, Worksheet 6, and IPART calculations.

## B Comparative indicators

### Performance indicators

Indicators of council performance may be considered across time, either for one council or across similar councils, or by comparing similar councils at a point in time.

Table B.1 shows how selected performance indicators for Muswellbrook Shire Council have changed over the four years to 2014-15.

**Table B.1 Trends in selected performance indicators for Muswellbrook Shire Council, 2011-12 to 2014-15**

Performance indicator	2011-12	2012-13	2013-114	2014-15	Average annual change (%)
FTE staff (number)	163	170	164	158	-1.0%
Ratio of population to FTE	100	98	102	106	1.8%
Average cost per FTE (\$)	\$70,509	\$75,247	\$78,071	\$81,000	4.7%
Employee costs as % operating expenditure (General Fund only) (%)	36.0%	40.8%	37.4%	35.8%	-0.2%
Consultancy/contractor expenses (\$m)	\$0	\$0	\$0	\$0	-
Consultancy/contractor expenses as % operating expenditure (%)	0.0%	0.0%	0.0%	0.0%	-

**Note:** Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

**Source:** OLG, unpublished data.

The above table shows that staff numbers and employee costs as a percentage of operating expenditure declined slightly over the period 2011-12 to 2014-15.



## General comparative indicators

Table B.2 compares selected published and unpublished data about Muswellbrook Shire Council with the averages for the councils in its OLG Group, and for NSW councils as a whole.

As indicated in section 3, Muswellbrook Shire Council is in OLG Group 11. Unless specified otherwise, the data refers to the 2014-15 financial year.



**Table B.2 Select comparative indicators for Muswellbrook Shire Council, 2014-15**

	Muswellbrook Shire Council	OLG Group 11 average	NSW average
<b>General profile</b>			
Area (km <sup>2</sup> )	3415	-	-
Population	16,694	-	-
General Fund operating expenditure (\$m)	30.4	-	-
General Fund operating revenue per capita (\$)	1,651	1,931	2,029
Rates revenue as % General Fund income (%)	26.3	35.3	45.1
Own-source revenue ratio (%)	45.0	60.2	69.0
<b>Average rate indicators<sup>a</sup></b>			
Average rate – residential (\$)	714	719	790
Average rate – business (\$)	1,918	1,962	2,949
Average rate – farmland (\$)	2,710	2,712	2,490
<b>Socio-economic/capacity to pay indicators<sup>b</sup></b>			
Average annual income for individuals, 2011 (\$)	57,889	44,416	49,070
Growth in average annual income, 2006-2011 (% pa)	5.4	5.3	5.2
Average residential rates 2013-14 to average annual income, 2011 (%)	1.2	1.6	1.6
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	78		
Outstanding rates and annual charges ratio (General Fund only) (%)	4.38	4.97	4.64
<b>Productivity (labour input) indicators<sup>c</sup></b>			
FTE staff (number)	158	152	295
Ratio of population to FTE	106	93	127
Average cost per FTE (\$)	81,000	76,967	80,173
Employee costs as % operating expenditure (General Fund only) (%)	35.8	36.2	38.6
Consultancy/contractor expenses (\$m)	-	2.2	8.8
Consultancy/contractor expenses as % operating expenditure (%)	-	6.4	10.9

<sup>a</sup> Average rates equal total ordinary and special rates revenue divided by the number of assessments in each category.

<sup>b</sup> Average annual income includes income from all sources excluding government pensions and allowances.

<sup>c</sup> Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

**Source:** OLG, unpublished data; ABS, *Regional Population Growth, Australia*, August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005/06 to 2010/11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.