

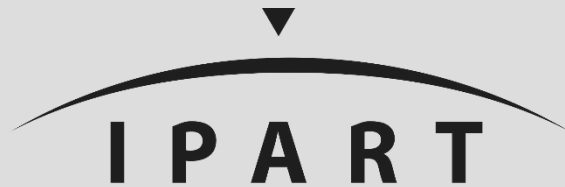


Hawkesbury City Council

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Special Variation Application Form
Part B For 2018/2019

date of meeting: 30 January 2018
location: council chambers
time: 6:30 p.m.



Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2018/19

Insert Name of Council:	Hawkesbury City Council
Date Submitted to IPART:	
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Tribunal Members

The Tribunal members for this review are:

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Mr Ed Willett

Ms Deborah Cope

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1 Introduction

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

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

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

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2018-19 rating year.

1.1 Completing the application form

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

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

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

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

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

This application form consists of:

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

1.2 Notification and submission of the special variation application

Notification of intention to apply

Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 15 December 2017.

Any councils that did not notify but intend to apply for a special variation for 2018-19 should contact us as soon as possible.

Online submission of applications

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

You are required to submit the application, via the Council Portal, by **Monday 12 February 2018**.

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

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

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 70MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. These file limits should be sufficient for your application. Please contact us if they are not.

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

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

2 Preliminaries

Overview: The Hawkesbury – A Vibrant City with a Rural Feel.

The Hawkesbury LGA is a peri-urban area on the north-western periphery of the Sydney Metropolitan Region. It covers an area of 2,793 square kilometres and is the largest local government area within Sydney. The Hawkesbury straddles the divide between the urban metropolitan councils to its east and the rural councils to its west. While it is classified as part of Metropolitan Sydney, its unique blend of urban and rural settlements is uncharacteristic of the metropolitan area.

The Hawkesbury is dominated by the Hawkesbury-Nepean River System and the escarpment of the Blue Mountains to its west. The topography of the area varies widely. 70% of the LGA is located in National Parks with significant world heritage values and riparian and wetland communities. The LGA contains substantial areas of bushland which are prone to bushfire while at the same time the majority of its urban areas are affected by flooding or flood evacuation constraints. The Richmond RAAF Base is located in the Hawkesbury. The LGA also has a productive rural hinterland with more than three-quarters of its agricultural output exported beyond its borders.

These physical characteristics have impacted on the development of the Hawkesbury. The combination of topography, flooding, evacuation constraints, bushfire risk, airport noise, agricultural land and environmental values has meant that the majority of the LGA is 'highly constrained' with significant implications for future urban development.

The City of Hawkesbury and its townships, rural villages and landscapes also share a rich and enduring indigenous and European cultural heritage. Prior to European settlement the Hawkesbury River (known as 'Deerubbin' by the Darug people) was a focus for human communities for thousands of years; the River, its tributaries and floodplains provided abundant natural resources and were places of strong social and spiritual significance.

The Hawkesbury contains the third oldest European settlement in Australia. Windsor (originally The Green Hills) was established in 1794, and it is one of five 'Macquarie Towns', four of which are located within the Hawkesbury. Governor Lachlan Macquarie had a profound influence on the development and landscapes of the Hawkesbury, which included naming the townships of Windsor, Richmond, Wilberforce and Pitt Town and the layout of their streetscapes, cemeteries and town squares.

The agricultural lands that surround these townships represent the oldest rural land holdings under continuous cultivation within Australia. The Hawkesbury also contains the oldest church, hotel and public square in Australia which have retained their original function and form.

These historical and cultural assets are actively being used to support cultural expression, tourism and economic activity. They remain integral to the future identity and prosperity of the Hawkesbury.

Over the last 18 months, Council has been engaged in an ongoing and detailed conversation with residents about the future of the Hawkesbury - their satisfaction and expectations for Council's services and facilities, their priorities for future investment as well as their preferred resourcing options for investing in the future.

The outcome of these conversations have clearly indicated that residents want Council to partner and work with the community to create a well-served, vibrant city with a rural feel that values its heritage, its waterways, its rural landscapes and its community spirit.

To achieve the community's long term vision of a vibrant city with a rural feel, Council will need the financial capacity to continue to provide contemporary services and maintain community assets for

the more than 66,000 residents who live in 65 different town, villages and rural localities spread across 2,800 square kilometres, as well as balancing the future growth and prosperity of the Hawkesbury without sacrificing its rural, heritage and environmental values.

Since 2007, Council has been implementing measures to improve its long-term financial sustainability with a particular focus on addressing the legacy of past decades of under-investment in asset renewal. Council has successfully implemented an ongoing program of cost containment, efficiency and revenue measures to direct additional investment to the task of maintaining service levels and funding the upkeep of community assets.

The release of the NSW Government's Local Government Reform Program in September 2014 required Council to accelerate its progress in achieving this task. Council has adopted a 20 point Fit for the Future Improvement Plan to secure Council's financial sustainability. On 23 August 2017, Council received advice from the Minister for Local Government, The Hon. Gabrielle Upton MP that Council had been found to be "Fit" on the basis of its Fit for the Future Improvement Plan.

The expenditure and revenue measures in the Fit for the Future Improvement Plan will enable Council to maintain service levels to meet community expectations, resource its long-term asset management requirement, and complete its transition to financial sustainability by satisfying the Fit for the Future financial benchmarks by the required time frame of 2021.

One of the 20 measures in Council's Fit for the Future Improvement Plan includes provision for Council to apply for a Special Rate Variation (SRV). Council is proposing an SRV only after it has comprehensively reviewed its operations to achieve ongoing cost reductions and efficiency measures.

Despite these measures Council is still facing an asset renewal and funding shortfall. The SRV is intended to raise the balance of revenue required to resolve this shortfall. The SRV would see total rates revenue increase by 9.5% each year for three years.

In preparation for its application for a special rate increase, Council commissioned an independent review of its financial sustainability plan which confirmed the need for a special rate variation and concluded that Council's Fit for the Future strategies were prudent, reasonable and appropriate for addressing Council's financial sustainability.

2.1 Focus on Integrated Planning and Reporting

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

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

Council has met the requirements for the production and public exhibition of Integrated Planning and Reporting (IP&R) documents and supplementary material. This documentation has clearly identified the need, purpose and justification for a Special Rate Variation and has included provision for community submissions and feedback.

Full details of Council's IPR process is included in the response to Criterion 4. A brief description of the primary IP&R documents is outlined below.

<p>Community Strategic Plan</p> 	<p>Council's first Community Strategic Plan (CSP) was adopted in 2009 and reviewed in 2012. In 2016, in compliance with IP&R requirements, the newly elected Council commenced a review of the CSP.</p> <p>The CSP review was informed by a comprehensive community engagement strategy implemented in early 2017 (details of which are included in the response to Criterion 2). The updated CSP was placed on public exhibition between 23 January and 12 March 2017.</p> <p><i>The Hawkesbury Community Strategic Plan – The Hawkesbury 2036: It's Our Future</i> was adopted by Council on 28 March 2017 and is appended to this application as Attachment 1.</p> <p>A number of strategies within the Plan (under Key Direction 1.3 <i>Financial Sustainability</i> on page 22) commit Council to a financially sustainable future through a focus on long-term asset management and funding priorities which reflect the long term interests of the community.</p>
<p>Delivery Program</p> 	<p>On 13 June 2017, following its public exhibition between 21 April and 19 May 2017, Council adopted its <i>Delivery Program 2017-2021</i>, which outlined the key activity areas to be pursued over the next four years to give effect to the directions set out in the Hawkesbury Community Strategic Plan 2017-2036. This document is appended to this application as Attachment 2.</p> <p>The <i>Delivery Program 2017-2021</i> included a section ('<i>Transitioning to a sustainable Council – becoming Fit for the Future</i>') which outlined three rating options that Council would be presenting to the community to seek their views about a preferred option for resourcing the implementation of the Community Strategic Plan and Delivery Program.</p>
<p>Resourcing Strategy</p> 	<p>In conjunction with the preparation and public exhibition of the Delivery Program, Council also prepared and exhibited its <i>Resourcing Strategy 2017-2027</i> which is appended to this application as Attachment 3. The <i>Delivery Program</i> incorporates the following elements:</p> <ul style="list-style-type: none"> • Long Term Financial Planning • Workforce Management Planning • Asset Management Planning <p>The Long Term Financial Planning section of the <i>Resourcing Strategy</i> outlined Council's Fit for the Future position and the strategies within its Fit for the Future Improvement Plan. It also modelled the impact of three different financial scenarios, including SRV options, on Council's financial sustainability and indicated that Council would be consulting with residents in July 2017 about the three resourcing options.</p>
<p>Supplementary Resourcing Strategy and Delivery Program</p> 	<p>Following the July 2017 'Investing in Your Future' consultations, Council prepared and exhibited a <i>Supplementary Resourcing Strategy and Delivery Program</i> (appended to this application as Attachment 4).</p> <p>This supplementary documentation outlined the outcome of the July community consultations and on the basis of these outcomes, identified one of the options (the subject of this SRV application) as Council's preferred investment option.</p> <p>The supplementary documentation provided further information to residents on the relative impacts of the three investment options on services and assets, as well their affordability and rating impacts.</p> <p>The supplementary documentation was placed on public exhibition between 13 October and 10 November 2017 to seek further community comment on Council's preferred investment option.</p>

2.2 Key purpose of special variation

At the highest level, indicate the key purpose(s) of the proposed special variation by marking one or more of the boxes below with an “x”.

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

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

2.2.1 Key purpose of the special variation.

Framework for a Sustainable Council

The Special Rate Variation (SRV) which is the subject of this application is part of an overall package of financial and organisational reform which will position Hawkesbury City Council for long term financial sustainability. Council recognised back in 2006 that it was facing a substantial asset funding shortfall and set about addressing this funding gap. As outlined in [Figure 1](#) Council is implementing a three stage strategy to secure its long-term financial sustainability.



Figure 1: Framework for a Sustainable Council

Stage 1 of this strategy commenced in 2007 with Council implementing cost containment, efficiency and revenue measures to arrest the rate of decline of community assets. These Stage 1 measures enabled Council to direct an average of an additional \$7.4M a year to the task of asset renewal and maintenance.

Stage 2 of the strategy commenced in 2015 with the adoption of Council's Fit for the Future Improvement Plan. By 2021 this plan will generate a further round of efficiency savings and revenue measures to stabilise service levels.

Stage 3 of the strategy will see Council positioned for long term financial sustainability and enable it to respond in a meaningful way to the community investment priorities identified by residents during the Fit for the Future community consultations.

An Integrated Financial Strategy.

As a critical component of this integrated financial strategy, the SRV will raise the balance of the revenue that Council will need to achieve mandated financial benchmarks and sustainably manage community assets. Achieving this outcome will stabilise Council's financial position and secure its long term financial sustainability.

Although the SRV will be used to fund asset renewal and maintenance and progressively address Council's infrastructure backlog to enable Council to maintain service levels, it is not the only funding source for this task.

The Fit for the Future Improvement Plan developed over the past two years (which builds on the financial measures taken by Council since 2007) relies not just on the SRV, but also a program of reform and transformation of the organisation's processes, systems, consultations and culture to align our operations and our financial and staffing resources to deliver on the needs and priorities of the Hawkesbury community.

The SRV, in combination with these measures, will deliver the structural budget changes required to further stabilise Council's finances and address those factors which NSW Treasury Corporation identified as contributing to Council's 'Negative' financial outlook.

The contribution of the elements of Council's integrated financial strategy is highlighted in Table 1.

Table 1 shows the rating increase under both the Base (non-SRV) and SRV scenarios between 2017/18 and 2020/21. It also documents the additional cumulative ongoing savings and revenue measures within Council's Fit for the Future Improvement Plan (excluding the SRV revenue), as well as the additional revenue generated by the proposed SRV (the subject of this application).

	options	2017/18	2018/19	2019/20	2020/21
rate increase	Base	1.50%	2.30%	2.50%	2.50%
	SRV	1.50%	9.50%	9.50%	9.50%
savings from FFTF cost containment measures	Base	605,018	1,560,197	2,036,071	2,506,475
	SRV	605,018	1,560,197	2,036,071	2,506,475
additional (non-SRV) revenue for FFTF measures	Base	1,304,336	2,148,054	2,811,224	3,894,449
	SRV	1,304,336	2,148,054	2,811,224	3,894,449
special rate additional revenue	Base	0	0	0	0
	SRV	0	2,262,310	4,728,447	7,485,179
total of revenue and expenditure measures	Base	1,909,354	3,708,251	4,847,295	6,400,925
	SRV	1,909,354	5,970,561	9,575,742	13,886,104

Table 1 – Summary of Savings and Revenue Measures - Integrated Financial Strategy

Table 1 shows that by 2021 the integrated financial strategy which Council commenced implementing in 2017/18 will deliver an improvement to Council's operating result of \$13.9M a year. The SRV once phased in, will generate an ongoing increase of \$7.5M in the rate income base from 2020/21 which will be supplemented by \$6.4M derived from the non-SRV measures within Council's Fit for the Future Improvement Plan. The \$6.4M annual dividend from the non SRV Fit for the Future component of the financial strategy builds on the \$2.1M annual dividend that Council has already achieved from financial measures implemented between 2007 and 2014.

The Need for a Special Rate Variation

The SRV application is one of the final components of Council's overall strategy to reform and strengthen its financial foundations and organisational capacity to resource the community priorities documented in Council's Integrated Planning and Reporting documents. As indicated above the SRV will enable Council to address four critical and interrelated financial and asset sustainability issues.

- (1) *Maintain Existing Services by (2) Enhancing Financial Sustainability.*

As highlighted on page 54 of the *Supplementary Resourcing Strategy and Delivery Program 2017-2027* (Attachment 4), the SRV is required to enable Council to maintain existing service levels. [Table 2](#) summarises the impact of the two rating scenarios on Council's long-term financial sustainability and consequently its capacity to maintain existing services.

Financial Measure	Scenario	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
operating shortfall	Base	-\$5.1M	-\$4.0M	-\$3.8M	-\$4.0M	-\$3.9M	-\$3.6M	-\$3.6M	-\$3.5M	-\$3.1M
	SRV	-\$3.9M	-\$0.5M	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPR financial benchmark	Base	x	x	x	x	x	x	x	x	x
	SRV	x	x	✓	✓	✓	✓	✓	✓	✓

Table 2: Relative impact of SRV on financial sustainability and capacity to maintain existing services

Without the additional rating revenue raised through the SRV Council would continue to generate operating shortfalls as it would not have the revenue required to meet the day-to-day cost of providing the full suite of current services. It would not achieve the Operating Performance Ratio (OPR) Fit for the Future financial benchmark.

Over the next ten years, the average annual shortfall under the Base Scenario is projected to be \$3.9M. To fund this shortfall, Council would need to identify service level reductions in the order of \$4M a year which would likely affect the future provision of community, cultural, civic, recreational and other 'discretionary' services. In the absence of an SRV, the offset savings generated through service reductions would be redirected to the task of funding core services (required by legislation) and maintaining critical infrastructure.

- (3) *Fund Infrastructure Maintenance and Renewal to (4) Reduce Infrastructure Backlog.*

Pages 3 to 4 of Council's Asset Management Strategy (Appendix 4 in Attachment 4) documents the financial challenge that Council faces in generating sufficient revenue to fund on an annual basis, the required level of maintenance, renewal and replacement of the assets it manages on behalf of the community. Without intervention Council will face a cumulative infrastructure funding gap of \$69M over the next ten years. [The particular challenges that Council faces in maintaining its asset portfolio are also highlighted on pages 34 to 37 of the *Supplementary Resourcing Strategy* (Attachment 4)].

Under the 'Base Scenario' Council will not be in a position to fund current infrastructure life cycle costs which will lead to a further deterioration in the condition of assets and a reduction in asset service levels which will not satisfy community expectations. These issues were highlighted on page 55 of the *Supplementary Resourcing Strategy and Delivery Program 2017-2027* (Attachment 4) which summarised the relative impact of financial scenarios on community assets as reproduced in [Table 3](#).

[Table 3](#) shows that while the non-SRV measures in Council's integrated financial strategy will enable Council to fund its asset maintenance requirement to achieve and sustain the required asset maintenance benchmark, the additional revenue from the SRV is critical to Council being able to fund its asset renewal requirement and over time progressively reduce its infrastructure backlog.

Asset Measures	Scenario	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
asset maint. investment	Base	\$12.4M	\$12.7M	\$13.4M	\$13.9M	\$14.3M	\$14.6M	\$15.0M	\$15.4M	\$15.7M
	SRV	\$12.6M	\$13.0M	\$14.5M	\$15.0M	\$15.4M	\$15.7M	\$16.1M	\$16.8M	\$17.4M
asset renewal investment	Base	\$13.6M	\$13.2M	\$14.6M	\$13.4M	\$11.8M	\$12.5M	\$12.2M	\$11.3M	\$12.4M
	SRV	\$13.0M	\$16.8M	\$17.0M	\$20.8M	\$18.6M	\$18.0M	\$15.4M	\$15.7M	\$16.0M
asset renewal shortfall	Base	\$0	-\$0.3M	\$0	-\$0.1M	-\$1.7M	-\$1.1M	-\$1.4M	-\$2.3M	-\$1.2M
	SRV	-\$0.4M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
infrastructure backlog	Base	\$8.9M	\$8.2M	\$9.0M	\$10.3M	\$12.0M	\$13.6M	\$15.1M	\$16.4M	\$17.3M
	SRV	\$9.1M	\$7.4M	\$7.6M	\$7.0M	\$6.5M	\$5.3M	\$4.9M	\$5.0M	\$5.5M
asset maint. ratio	Base	✓	✗	✓	✓	✓	✓	✓	✓	✓
	SRV	✓	✓	✓	✓	✓	✓	✓	✓	✓
asset renewal ratio	Base	✓	✗	✓	✗	✗	✗	✗	✗	✗
	SRV	✗	✓	✓	✓	✓	✓	✓	✓	✓
infrastructure backlog ratio	Base	✓	✓	✓	✓	✓	✗	✗	✗	✗
	SRV	✓	✓	✓	✓	✓	✓	✓	✓	✓

Table 3: Relative impact of SRV on community assets

Table 3 shows that without the SRV, performance against the asset renewal benchmark progressively deteriorates beyond 2020/21 with a corresponding ballooning of the infrastructure backlog. In simple terms, the SRV will direct additional investment of \$73M over ten years to the task of asset management which will enable Council to sustainably manage community assets over the long term, and in doing so reduce and stabilise its infrastructure backlog.

What the SRV Will Deliver.

This \$73M in additional asset investment, funded through the SRV, is directed at the community investment priorities highlighted in Table 4 which were established through Council's ongoing conversation with residents (as outlined below) and the outcome of successive Community Surveys.

Community Investment Priorities		Additional SRV Investment
Roads	Road Maintenance	\$5.2M
	Road Rehabilitation - Sealed Roads	\$18.1M
	Sealing Gravel Roads	\$16.5M
Town Centres, Villages & Public Spaces	Park and Public Space Maintenance	\$4.4M
	Public Space Revitalisation	\$13.0M
	Activating River & Waterway Foreshores	\$1.1M
	Sporting & Recreation Facilities	\$3.5M
Shared Pathways	Building new pathways	\$4.2M
Community Buildings	Community & Cultural Facilities	\$6.5M
	Emergency Services (RFS, SES)	\$0.5M

Table 4: Community Investment Priorities; Additional SRV Investment over 10 Years

The asset investment program outlined in [Table 4](#) will focus on the renewal and upgrade of critical assets where intervention is required to mitigate risk or where a community need has been identified through Council's community engagement process

As part of its Fit for the Future Community Engagement Program (details of which are outlined below) Council prepared five district work programs to outline the capital renewal and upgrade works to be delivered under different financial scenarios, including the SRV option which is the subject of this application. The works programs were targeted at the community investment priorities identified by residents in [Table 4](#).

Council recognised that in consulting with the community on a proposed special rate increase, it had an obligation to clearly outline how the additional rating investment generated through an SRV would be allocated. Accordingly, each of the district work programs included a comprehensive list of individual works by location, indicative cost and projected year of completion. A map of the major projects to be undertaken in each district was also included, as depicted in [Figure 2](#). Copies of the district works programs are included in the Community Engagement material appended to this application in Attachment 5.



Figure 2: 'Investing In Your Future' district work plans

2.2.2 Steps taken to reach a decision to apply for a Special Rate Variation.

The Need for a Special Rate Variation.

As outlined above, the Special Rate Variation, which is the subject of this application is a component of an integrated financial strategy to achieve long-term financial sustainability which Council has been progressively pursuing since 2007.

The challenge of finding the required revenue and ongoing efficiency savings to be able to continue to maintain services to residents of the Hawkesbury had been highlighted in successive Council Management Plans since 2007/2008.

Following the adoption of the first Hawkesbury Community Strategic Plan in 2009, Council prepared its initial 10 year Resourcing Strategy (exhibited and adopted in 2012) which confirmed that while Council was in a stable financial position at present it was facing an infrastructure renewal funding gap and projected future sustainability issues over the longer term. The probable need for special rate increases to fund this gap was highlighted within this document.

The financial assessment within the Resourcing Strategy was corroborated by more recent independent reports into the sustainability of local government. In particular, the NSW Treasury Corporation (T-Corp) review of the financial sustainability of NSW councils which assigned a Financial Sustainability Rating (FSR) and Outlook to each council based on an assessment of the current and projected financial position of each council.

Hawkesbury Council's FSR was assessed as 'Moderate' meaning that it had *'adequate capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term and was likely to address its operating deficits with moderate revenue and/or expense adjustments'*. Council's Outlook was assessed as 'Negative' meaning that its FSR had the potential to deteriorate. The most significant risk which T-Corp identified as contributing to this outlook, when compared with other councils, was that Council did not have a pending Special Rate Variation application to increase its rating revenues.

Accordingly, as part of its response to the NSW Government's Fit for the Future Reform Program, Council's Fit for the Future Council Improvement Proposal included provision for the consideration of a special rate variation.

Fit for the Future Council Improvement Proposal.

Council's initial Fit for the Future Proposal (the Proposal) was lodged with IPART on 30 June 2015 (Attachment 6). The 20 strategies within the Proposal were developed and adopted by Council based on:

- a rigorous assessment of Council's future financial sustainability and detailed evaluation of Council operations;
- the recommendation of reviews and into the financial sustainability of local government in NSW undertaken by the NSW Treasury Corporation, the Office of Local Government and the Independent Local Government Review and released between April and October 2013;
- the output of 3 Councillor briefing sessions/ workshops held between February and May 2015.

The Proposal incorporated an integrated mix of 20 expenditure and revenue measures including provision for a community engagement process to seek the views of the community on options for moving from backlog to sustainability over the long term and the resources that would need to be found to do this. The Proposal committed Council to develop and present three resourcing options to the community to increase investment in community infrastructure.

In November 2016, Council was required to resubmit a revised Fit for the Future Proposal (Revised Proposal - Attachment 7) for reassessment by the Office of Local Government following the conclusion of a public inquiry into the proposed merger of Hawkesbury City Council with part of The Hills Shire Council.

In preparing its Revised Proposal Council took the opportunity to refine the elements within its initial Proposal based on:

- the outputs of 3 further Councillor briefing sessions/ workshops held between June and November 2016;
- a review of Council's methodology for assessing asset maintenance and renewal requirements and infrastructure backlog calculations;
- the outcomes of Service Level Review community consultations undertaken during August 2016 (Stage 1 of the 3 Stage Fit for the Future Community Engagement Program outlined below)

While the Revised Proposal substantially retained the 20 expenditure and revenue measures within Council's original Fit for the Future Proposal, Council took the opportunity afforded by the reassessment process to revisit the 20 strategies to adjust expenditure/revenue targets for 12 of the 20 strategies to achieve a reduced Special Rate Variation (as summarised on pages 37-38 Attachment 7).

In August 2017 Council engaged Morrison Low Consultants Pty Ltd. (Morrison Low) to review Council's Fit for the Future Strategies. The Morrison Low Report (Attachment 8) concluded that Council's Fit for the Future strategies were prudent, reasonable and appropriate for addressing Council's financial sustainability and confirmed the need for a special rate variation to raise additional revenue.

In August 2017, Council's Revised Proposal, inclusive of the special rate resourcing options, was approved for implementation by the NSW Government (Attachment 9).

The justification and need for a special rate variation has been the subject of rigorous analysis and a core component of Council's financial strategy since 2012. It has been embedded within Council's Fit for the Future Plan since 2015. As outlined below, the decision to apply for a special rate variation was preceded by a comprehensive community engagement process.

Fit for the Future Community Engagement Strategy.

Having established the need for a special rate increase, Council commenced a 3 stage community engagement process in July 2016. The full details of this strategy are outlined in the response to Criterion 2. The main elements of the Strategy are highlighted in Figure 3.



Figure 3: Main Elements of Fit for the Future Community Engagement Strategy

This comprehensive consultation program included the following engagement activities:

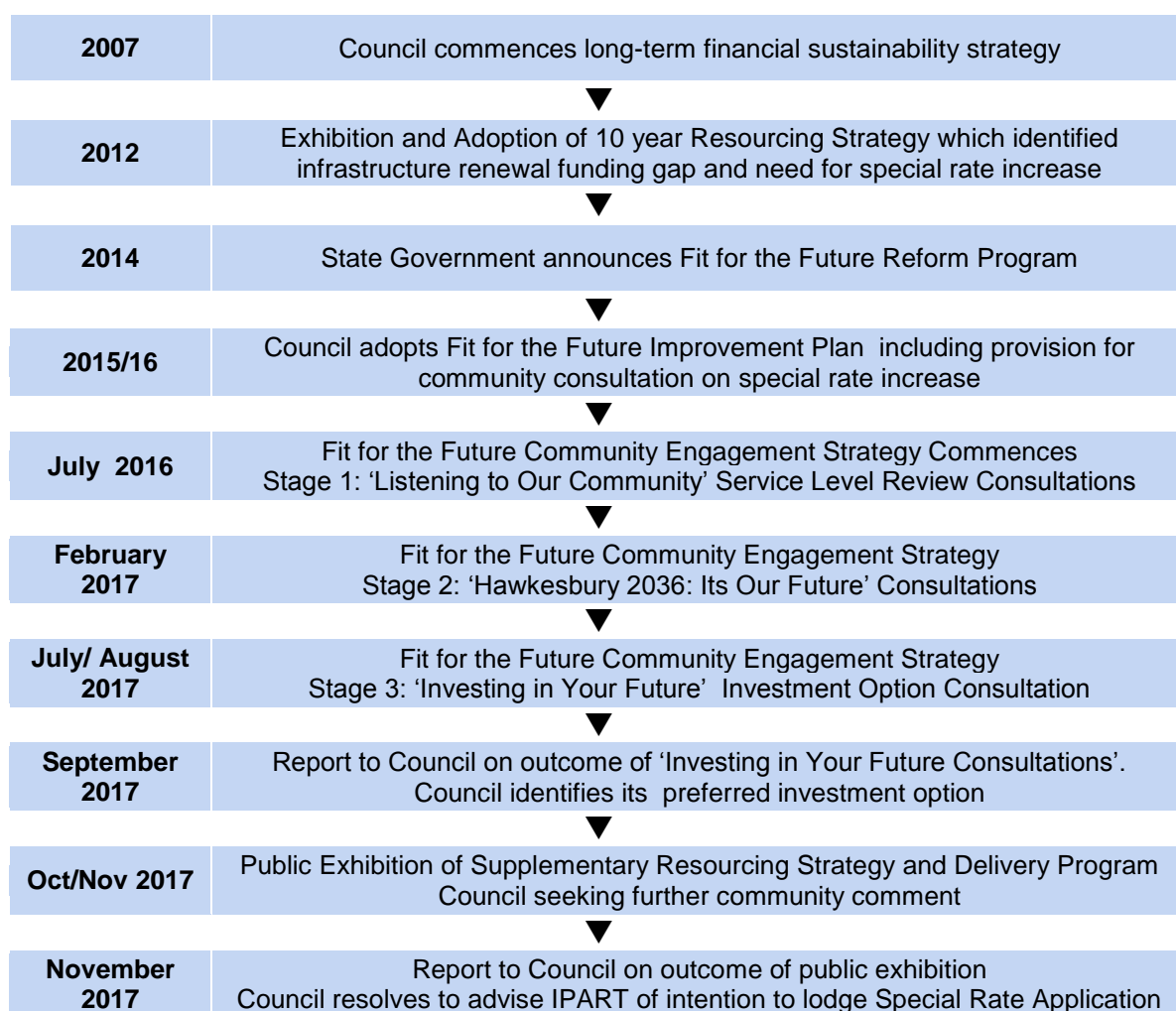
- 26 town meetings
- 25 information kiosks and stalls at shopping centres, markets and council events
- statistically valid telephone surveys run on Council's behalf by Micromex Research
- mail out of information brochures and postal ballots to all ratepayers
- public exhibition of key documents and calls for submissions
- online surveys and on-line discussion forums
- media releases, facts sheets and advertisements.

The outcomes of the consultations undertaken as part of this Strategy has informed Council's consideration and decision making about this special rate variation application. This process culminated in the preparation and public exhibition of a Draft Supplementary Resourcing Strategy 2017-2027 and Delivery Program 2017-2021(Attachment 4) which summarised in detail the key issues that Council would be required to address as part of a special rate variation application.

This document presented the three financial scenarios which Council had been consulting the community about and identified one of the scenarios, the subject of this application, as Council's preferred investment vehicle for resourcing the implementation of the Hawkesbury Community Strategic Plan.

The Supplementary Resourcing Strategy and Delivery Program were placed on public exhibition between 13 October and 10 November 2017. The outcomes of the public exhibition were reported to Council on 28 November 2017 with Council subsequently resolving to advise IPART of its intention to apply for a special rate variation.

The time frame and steps taken by Council in determining to consult with the community and ultimately to proceed with the special rate application as part of its Fit for the Future financial plan are summarised in [Figure 4](#).



[Figure 4](#): Fit for the Future Consultation Time Line.

2.3 Capital expenditure review

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

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

Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If Yes, has a review been done and submitted to OLG?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Document References for Section 2 (in order of reference: pages referred to identified in text)

Attachment No.	Document
1	Hawkesbury Community Strategic Plan 2017-2036
2	Hawkesbury City Council Delivery Program 2017-2021
3	Hawkesbury City Council Resourcing Strategy 2017-2027
4	Hawkesbury City Council. Supplementary Resourcing Strategy 2017-2027 Incorporation Supplementary Delivery Program 2017-2021
5	Community Engagement Materials
6	Hawkesbury City Council. Original Fit for the Future Council Improvement Proposal (June 2015)
7	Hawkesbury City Council. Fit for the Future Reassessment Proposal (November 2016)
8	Review of Council's Strategies for Financial Sustainability. September 2017. Morrison Low
9	Correspondence. 4 August 2017. The Hon. Gabrielle Upton MP. Advising outcome of Fit for the Future Reassessment

3 Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

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

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

Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

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

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

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

3.1 Case for special variation – community need

Summarise and explain below:

- ▼ 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 and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.

- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
- ▼ How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

3.1.1 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

Council's assessment of community need and desires in relation to service levels and asset provision has been informed by both technical assessments of asset condition and through an ongoing program of consultation to identify and track community perceptions and satisfaction with service levels and the care and maintenance of community assets. The particulars of this assessment, which provides the justification for the purpose and scope of this special rate application covers three elements.

- Asset Planning
- Integrated Planning and Reporting
- Community Satisfaction Surveys

a). Asset Planning. As documented on Pages 110 to 112 of the Supplementary Resourcing Strategy (Attachment 4), Council is facing a cumulative funding shortfall of \$69M over the next ten years. This represents the difference between forecast expenditure required to operate, maintain, replace and upgrade infrastructure over the next ten years and the funding available under the base financial scenario within the Long Term Financial Plan.

Council's asset modelling indicates that maintaining the current funding trajectory (the base scenario) will result in the continued deterioration of assets with Council unable to meet current and future life cycle costs. Figure 4, reproduced from Page 13 of the Supplementary Resourcing Strategy (Attachment 4) highlights this point. It shows that currently, 3% of community assets are in an unsatisfactory (poor or very poor) condition. Without further additional financial intervention, the condition of assets will deteriorate so that by 2027 Council's Asset Management System projects that 13% of these assets will be in an unsatisfactory condition.

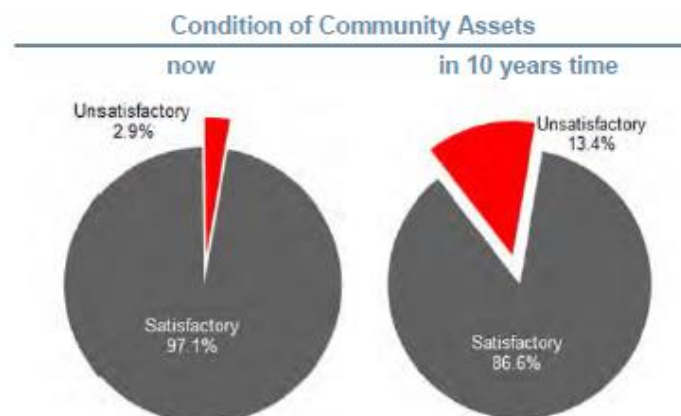


Figure 4: Condition of community asset portfolio current (2017) and ten year forecast (2027).

As outlined below, such an outcome would not be in keeping with community needs or aspirations. The special rate, which is the subject of this application, will fund a \$63M asset works program over 10 years and provide a long term revenue solution which will underpin best practice asset management to enable Council to maintain and renew assets in the most cost effective way and within the optimal time frames.

b). Integrated Planning and Reporting. As outlined previously, the investigation of the specific need for a special rate increase has been flagged within Council's IP&R documents since 2012 following the adoption of Council's first Community Strategic Plan under the IP&R framework in 2009.

The referencing of the probable need for a special rate increase within the Resourcing Strategy 2012-2022 (exhibited and adopted in 2012), was in line with the work that had been undertaken since 2007 to put Council on a path to long term financial sustainability. This culminated in the inclusion of the consideration of a special rate application within Council's original Fit for the Future Proposal (Attachment 6) submitted in June 2015 and the Revised Proposal (Attachment 7) submitted to the Office of Local Government in November 2016 and approved for implementation in August 2017.

Council reviewed and substantially amended its Community Strategic Plan in 2017. The *Hawkesbury Community Strategic Plan - 2017-2036* (Attachment 1) places a strong emphasis on financial sustainability as a cornerstone in the progressive realisation of the community's long term vision for the Hawkesbury. Key Direction 1.3: 'Financial Sustainability' under the 'Our Leadership' Focus Area on Page 22 of the Plan outlines the financial sustainability framework which will guide Council's investment and decision making over the next 20 years:

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

The *Hawkesbury Community Strategic Plan - 2017-2036* also includes a number of enabling strategies to achieve the objective of financial sustainability. These strategies commit Council to increasing community participation in planning and policy development (CSP Strategy 5.1.4), the continuous review of service provision to deliver the best possible outcomes for the community (5.1.3), building strong partnerships with other levels of government (1.4.1); and a high performance workforce which supports optimal service delivery (1.6.2).

Based on the directions identified within the *Hawkesbury Community Strategic Plan - 2017-2036*, the adopted *Delivery Program 2017-2021* (p iv Attachment 2) places particular emphasis on achieving the following key activity areas over the next four year period:

- town centre revitalisation
- community building
- financial sustainability
- connecting with the community
- building strong and collaborative relationships
- protecting Hawkesbury's unique environment
- establishing identity
- moving towards becoming a carbon neutral local government area
- reducing our ecological footprint
- improving transport connections
- planning for and developing better places and spaces
- placemaking
- recognition of heritage and action to reflect that recognition.

The primary vehicles underpinning progress in responding to these key activity areas will be the funding of Council's Asset Management Plans and the implementation of Council's Fit for the Future Improvement Plan as highlighted in this extract (p 17) from Council's 2017/18 Operational Plan.

CSP Strategy 1.3.2 Meet the needs of the community now and into the future by managing Council's assets with a long-term focus.			
Delivery Program Activity	Operational Plan Action	Responsibility	Measure
Develop and implement asset management strategies and plans to support sustainable service provision, in line with community expectations	Prepare Asset Management Plans and long term funding needs projections for sustainable asset service provision.	Infrastructure Services Financial Services	Asset Management Plans for key infrastructure assets prepared and reported to Council.
1.3.3 Decisions relating to determining priorities will be made in the long term interests of the community.			
Delivery Program Activity	Operational Plan Action	Responsibility	Measure
Implement Council's Fit For The Future Strategies.	Implement Council's Fit For The Future Strategies.	All	Actions implemented in accordance with the Fit For The Future strategies.

Figure 5: Extract from 2017/18 Operational Plan

c). Community Satisfaction Surveys. Since 2007, Council has engaged Micromex Research to conduct a statistically valid survey to establish community's priorities in relation to Council activities, services and facilities. The survey, based on a combination of telephone and face-to-face interviews, is held every two years. The survey asks Hawkesbury residents to rate their level of satisfaction with 44 Council services, facilities and activities.

Table 5 has used the aggregated data from the 5 surveys conducted to date to identify and rank those services, facilities and activities where Council has been consistently unable to meet community expectations - where the current level of service provided has not been assessed as satisfactory.

Rank	Service, Facility or Activity	Rank	Service, Facility or Activity
1	road maintenance	12	building partnerships with community
2	long term planning for the future	13	supporting business development
3	improving services and infrastructure	14	footpaths and cycleways
4	providing transparent and respected leadership	15	supporting rural based activities
5	engaging community in making decisions	16	supporting tourism facilities and industry
6	lobbying government for funding & services	17	car parks
7	public toilets	18	crime prevention
8	healthy Hawkesbury River and waterways	19	supporting training & career opportunities
9	helping to create thriving town centres	20	supporting community organisations
10	stormwater management and reuse	21	valuing and protecting heritage
11	promoting local employment opportunities	22	parks, playgrounds and reserves

Table 5: Community Satisfaction Gap Analysis (Hawkesbury Community Survey)

Overall, the survey results demonstrate a clear message from the community for an improved focus on the delivery of key infrastructure, particularly relating to matching the delivery of infrastructure in response to population growth and to support sustainable development. The most significant performance gaps related to roads and access, the protection of waterways, and the presentation of public toilets and public spaces.

These longitudinal findings, built up over the last 10 years, were reinforced in the more recent conversation with residents undertaken as part of Council's Fit for the Future Community Engagement Strategy. In Stage 1 of this Strategy - 'Listening to our Community' - Council spoke with over 200 people at seven town meetings and conducted telephone and on line surveys to ask residents to identify their level of satisfaction with current services and their priorities for further investment.



Figure 6: 'Listening to our Community': Service level Review Consultations July/August 2016

Full details of these consultations, their outcomes and the materials presented to the community are outlined in response to Criterion 2 and enclosed in Attachment 5. The consultations indicated that residents wanted Council to improve service levels by increasing investment in assets with a focus on roads, both sealed and unsealed, stormwater drains, and town centres and public spaces – including public toilets, connecting pathways, and parks.

In summary, the special rate increase which is the subject of this application, has been formulated to provide the levels of service demanded by the community by enabling Council to sustainably manage community assets over the long term and fund the asset renewal backlog.

3.1.2 How the decision to seek higher revenues above the rate peg was made and which other options were examined.

The process by which Council determined to seek approval for a special rate increase has been previously outlined in response to Section 2.2. The justification and need for a special rate variation has been the subject of rigorous analysis and a core component of Council's financial strategy since 2012 and embedded within Council's Fit for the Future Plan since 2015. The decision to apply for a special rate variation was informed by a comprehensive community engagement process.

Council understands that rate rises are never welcome. For this reason, the proposal for a rating increase has not been Council's first response. Since 2007 Council has been continuously reviewing its operations to contain costs and optimise its non-rating revenues to maintain services and under Council's Fit for the Future Improvement Plan this work will continue. As one of the 20 expenditure and revenue measures within Council's Fit for the Future Improvement Plan, the proposed special rate is intended to raise the balance of the revenue required to stabilise Council's finances and fund its asset renewal gap (a summary of the strategies within the Fit for the Future Improvement Plan can be found on pages 57 to 62 in the Supplementary Resourcing Strategy in Attachment 4).

Other options to achieve long term financial sustainability which have been considered or investigated by Council or other parties have included:

- Amalgamation - in 2016, Council was the subject of a proposed merger with part of The Hills Shire Council. The independent public enquiry held into the merger proposal concluded that the merger should not proceed as it would not address the asset renewal funding gap and would have a substantial negative impact on the local economy.
- Service level reductions – the option of embarking on a round of service reductions to free up resources for asset renewal has been canvassed with residents as part of a review of service levels. This option had limited support with few residents (less than 3%) favouring reduced Council investment in assets or services.

- Large-scale residential development – in consulting with residents about Hawkesbury's future the community indicated that they had little appetite for large scale residential development. Their preference was for sensitive and small-scale residential development to preserve the rural and heritage values of the Hawkesbury. As outlined in the preliminary overview, the majority of the Hawkesbury LGA is 'highly constrained' for future urban development.
- Operating efficiencies and revenue generation - residents have suggested a number of strategies that Council should pursue to achieve financial sustainability. Most if not all of these proposed strategies are currently being pursued by Council or are included in Council's Fit For The Future Plan. These strategies include the investigation of alternate service delivery models, the aggregation of service contracts, and joint procurement and joint service arrangements with Council's Regional Strategic Alliance Partners (Blue Mountains and Penrith).

As noted previously Morrison Low Consultants have reviewed Council's Fit for the Future Strategies (Attachment 8) and concluded that Council's Fit for the Future strategies were appropriate for addressing Council's financial sustainability. They also concluded that there were no alternate strategies or initiatives which could replicate or replace the positive impact of the special rate increase on Council's long term financial position.

3.1.3 Why the proposed special variation is the most appropriate option.

The proposed special rate increase is part of an integrated financial strategy which is primarily aimed at resourcing Council's long-term asset management requirement. This will enable Council to maintain service levels to meet community expectations and complete the transition to financial sustainability by satisfying the Fit for the Future financial benchmarks – specifically the Operating Performance Ratio (OPR) and the three asset related benchmarks (Asset Maintenance, Asset Renewal and Infrastructure Backlog).

The proposed special rate increase, in conjunction with the other measures within Council's Fit for the Future Improvement Plan (which includes a review of pricing structures, the introduction of new charges and the investigation of service partnerships with Blue Mountains and Penrith Councils) is the most appropriate option to achieve this outcome. Council's strategy will increase operating revenues to address the OPR and fund on an annual basis, the required level of maintenance, renewal and replacement of the assets that Councils manages on behalf of the community.

The proposed special rate increase will generate the additional revenue that will be required to fund a staggered \$40M loan facility to deliver an accelerated asset renewal works program targeting road renewals, public space enhancements and improved asset maintenance. Without the revenue from the special rate increase, Council would not have the financial capacity to meet the principal and interest payments on the loan facility. The use of loan borrowings will deliver the following benefits:

- renewal works for infrastructure assets will be able to be brought forward with the cost of renewal works brought forward will be less than if delivered in future years, due to inflation;
- the expedited renewal program will reduce Council's asset maintenance costs;
- debt financing will enable costs to be spread over a number of years to enhance inter-generational equity;
- the deterioration of the condition of assets will be arrested and the infrastructure backlog will be reduced in a more timely way;
- new infrastructure assets will be delivered in line with community expectations;
- enhanced asset maintenance will be delivered;
- additional funding available once loans are repaid and as a result of reduced costs of maintenance and renewal, will be directed to ensure that optimal asset management is attained and maintained over the long term.

3.1.4 How the proposed special variation impacts the LTFP forecasts for the General Fund and how this relates to the need the council identified.

Worksheet 7 in Part A of this application documents the impact of the proposed special rate increase on Council's Long Term Financial Plan compared with the base (no SRV) financial scenario. It clearly shows how the additional revenue from the proposed special rate increase will be instrumental in Council achieving and maintaining a balanced operating result in line with the required Operating Performance Ratio (OPR) Benchmark.

Worksheet 7, confirms and supports the modelling undertaken in preparing the Long Term Financial Plan in Council's *Resourcing Strategy 2017-2027* (Attachment 3). The financial projections for the 'Improve' financial scenario (the basis of this application) shows that a balanced operating result will be achieved by 2019/20 and sustained going forward (p 41), which will enable Council to meet and maintain the Fit for the Future asset related financial benchmarks by 2019/20 (p 45).

These outcomes are not achieved under the base (no SRV) scenario as recorded on pages 31 to 35 of the *Resourcing Strategy 2017-2027*.

3.2 Financial sustainability

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

You should explain below:

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

3.2.1 Council's understanding of its current state of financial sustainability.

Financial Performance.

Council's audited financial statements for the year ending 30 June 2017 (Attachment 10), show Council was in a stable financial position. Council operated within its means and has ensured that its annual cash budget is balanced against available revenue. Council's balance sheet as at 30 June 2017 showed total equity of \$1,006M.

Council has maintained strong liquidity. Its ability to cover its operating costs (Cash Expense Cover Ratio) remains well above the industry benchmark as is its capacity to cover its current liabilities with its current assets (Unrestricted Current Ratio).

Council also maintains adequate cash reserves with which to meet future obligations. It has limited borrowings and its Debt Service Cover Ratio (the proportion of operating revenue required to service its debt) is also well below the industry benchmark.

The Cost of Asset Management.

While Council does achieve a balanced budget to fund its day-to-day operations, it has achieved this result at the expense of not funding the true cost of maintaining and renewing community assets. Council manages a substantial portfolio of assets worth more than \$1B.

The gap between Council's available funding and the investment required to maintain and renew assets has contributed to an asset renewal backlog, which without positive intervention, has continued to grow. As a result, while a balanced budget is delivered each year for operational activities, Council's annual operating result is in deficit. This result highlights the financial challenge that Council faces in generating sufficient revenue to fund on an annual basis, the required level of maintenance, renewal and replacement of the assets it manages on behalf of the community.

The cost of maintaining, renewing and replacing community assets consumes a substantial portion of Council's revenue. Almost two-thirds of its annual expenditures are asset related. As a result, Council's operating result is principally driven by the cost of maintaining, renewing and replacing these assets (i.e. the cost of asset consumption) – a cost which is based on the value of these assets.

Prior to 2006, the Local Government Accounting Code (the Code) required councils to make the necessary funding provision for the cost of maintaining and renewing community assets based on their historical cost – how much the asset cost to construct when it was first built.

In 2006, the Code changed and required councils to determine the necessary expenditure to maintain, renew and replace community assets based on the actual replacement cost of each asset i.e. their 'market' cost in today's dollar terms. This was a sensible amendment as it captured the true cost of asset consumption and enabled councils to accurately plan for the ongoing cost of maintaining and replacing assets.

While the revaluation of the community assets managed by Council resulted in a significant increase in their value, it also increased the asset management funding requirement. Unfortunately, this increase in costs was not matched by a corresponding increase in revenue. [Table 6](#) highlights the impact that the revaluation of community assets had on Council's operating result. It shows that when the real cost of asset consumption was accounted for, Council's operating result went into the 'red' and has remained there.

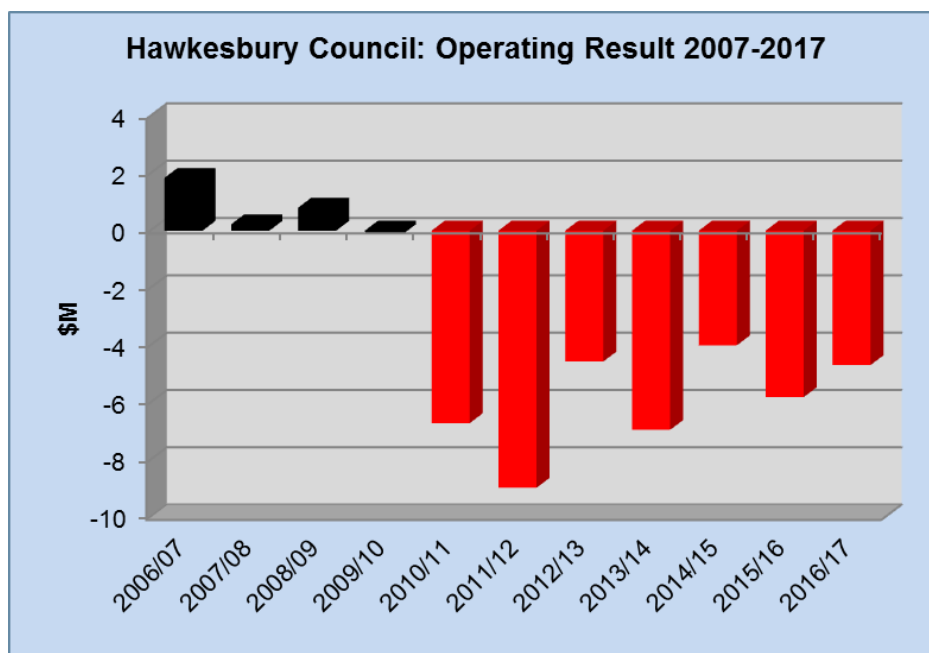


Table 6 – Hawkesbury City Council Operating Result 2006-2017

The operating result from 2010/2011 onwards reflects the fact that Council, for many years, had not been spending as much as it should on maintaining, renewing and replacing community assets. As highlighted previously, addressing this funding gap is the primary financial sustainability challenge that Council faces.

Long Term Projections.

Council's modelling of its future financial position under different financial scenarios, as outlined on pages 31 to 45 of the Long Term Financial Plan component of the Resourcing Strategy 2017-2027 (Attachment 3), shows that without intervention Council's operating performance and infrastructure will continue to deteriorate.

The impact of different financial scenarios is more succinctly summarised on pages 54 and 55 of the Supplementary Resourcing Strategy (Attachment 4) which highlights that under the base (no SRV) scenario, Council will continue to generate operating shortfalls over the next 10 years, and will face a growing asset renewal funding shortfall resulting in an increase in infrastructure backlogs across all asset classes.

The proposed special rate increase is projected to raise the balance of the revenue required to address Council's operating and asset renewal funding shortfalls by 2019/20.

3.2.2 External assessment of Council's financial sustainability.

NSW Treasury Corporation.

Council's assessment of its current and projected financial positions has been corroborated by the Financial Sustainability Rating (FSR) and Outlook applied to Council by the NSW Treasury Corporation in its assessment of the financial capacity of NSW councils released in April 2013.

Hawkesbury City Council was assessed as having a 'Moderate' FSR (meaning it had adequate capacity to meet its financial commitments in the short to medium term), but a 'Negative' Outlook (marking the potential for Council's capacity to meet its financial commitments deteriorating over the long term).

T-Corp's recommendations for councils assigned a 'Negative' Outlook included the need to source additional revenue (such as under an SRV) to increase spending on maintenance and infrastructure renewal through the use of debt funding to reduce infrastructure backlogs and improve intergenerational equity. T-Corp also highlighted an ongoing requirement for cost containment and efficiency programs.

These T-Corp prescriptions lie at the core of Council's Fit for the Future Improvement Program and have shaped the intent and purpose of the proposed special rate increase which is the subject of this application.

Financial Assessment and Benchmarking Report.

T-Corp has also undertaken a more specific and detailed assessment of Council's financial sustainability (Attachment 11) based on a review of Council's consolidated financial results for the period 2008/2009 to 2010/2011. The *Financial Assessment and Benchmarking Report* completed in August 2012 reinforced T-Corp's more generic assessment of Council's short to medium term financial position and long term financial outlook.

Box 1 (on the following page) provides a snapshot of the main findings and observations made by T-Corp in its assessment of Council's financial positions and outlook (as detailed on Page 4 to 5 of the Executive Summary).

The Council has been reasonably managed over the review period based on the following observations:

- Council's underlying operating performance (measured using EBITDA) has remained consistent over the three year period*
- 75.8% of Council's revenue base is derived from own sourced revenue (annual charges and user charges and fees). They can rely on these revenue streams on an ongoing basis*

Council's reported infrastructure backlog of \$80.6m in 2011 represents 14.9% of its infrastructure asset value of \$538.1m. Other observations include:

- Council's infrastructure backlog has remained static between 2010 and 2011*
- The most significant proportion of the backlog at 83.0% relates to roads. Council does not have any water infrastructure*
- Compared to benchmark ratios Council appears to be under spending on asset renewal and asset maintenance*

The key observations from our review of Council's 10 year forecasts for its General Fund are:

- The forecast shows deficit positions are expected in all 10 years when capital grants and contributions are excluded. The forecast deficits are higher than current performance. This highlights that Council could face long term sustainability issues.*
- Council's own source revenue is above benchmark for the majority of the forecast*

Box 1: Summary of T-Corp Financial Assessment and Benchmarking Report, Hawkesbury City Council 27 August 2012.

Morrison Low Consultants.

In August 2017, Council engaged Morrison Low Consultants Pty Ltd. (Morrison Low) to review Council's Fit for the Future Strategies (in the context of Council's financial position and outlook) to determine the appropriateness of these strategies. [Box 2](#) summarises the conclusions reached by Morrison Low in assessing Council's approach to financial sustainability (as recoded on pages 9 to 10 of their report):

In our view, it is clear that Council needs a substantial Special Rate Variation. Hawkesbury has consistently reported operating deficits and under investment in renewals. Fit for the Future has created a change in NSW local government and it is no longer acceptable for councils to run ongoing operating deficits.

We understand that the community has clearly indicated a desire for improvements to existing assets and the provision of new assets and services. Council's costs and revenue strategies, as forecast in the Deteriorate [no SRV] scenario, are unable to satisfy the Fit for the Future benchmarks let alone deliver new assets and services.

There are always ways for an organisation to become more efficient or for council to seek to increase its non-rates revenue. However, having considered Council's various strategies and initiatives and planned expenditure within scenarios 2 and 3 of the Resourcing Strategy we do not believe there are alternative strategies and initiatives that would provide anywhere near the level of revenue/savings that the SRV provides.

Table 2 below highlights the typical high-level strategies that in our experience NSW councils have used to meet the Fit for the Future benchmarks and indicates those that our review has determined council has used.

Strategy	Hawkesbury City Council
Efficiency programs	✓
Service Reviews	✓
Review of financial and asset management practices	✓
Increased fees, charges & cost recovery	✓
Special Rate Variations	✓
Reduce services & service levels	✗

Box 2: Extract from Review of Council's Strategies for Financial Sustainability. Morrison Low. September 2017.

The external assessments undertaken by NSW Treasury Corporation and Morrison Low Consultants confirm Council's assessments of its current and future financial situation and confirms the need and justification for a special rate increase.

3.2.3 Impact of proposed special variation on financial sustainability.

This aspect of the application has been covered in Section 2.2.1. The proposed special rate increase will raise the balance of the revenue that Council will need to achieve mandated financial benchmarks and sustainably manage community assets. Achieving this outcome will stabilise Council's financial position and secure its long term financial sustainability.

3.3 Financial indicators

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

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital grants and contributions as percentage of operating revenue before capital grants and contributions).
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).

- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

3.3 Financial Indicators.

Analysis of Council's financial projections is included in Council's Long Term Financial Plan that forms part of Resourcing Strategy 2017-2027 (Attachment 3). Pages 31 to 45 of the LTFP includes income and expenditure forecasts and balance sheet projections under three financial scenarios including the base (No SRV – the 'Deteriorate' financial model) and the special rate scenario (the 'Improve' financial model) which is the subject of this special rate application.

The modelling within the LTFP includes projections against the Fit for the Future financial benchmarks against which Council's future financial performance will be monitored and assessed by the Office of Local Government. The proposed special rate increase which is the subject of this application has been specifically structured to enable Council to achieve the required Fit for the Future financial benchmarks by 2020/21 and then maintain them to ensure that Council remains Fit for the Future.

Attachment 3 records Council's financial performance, as measured against the Fit for the Future financial benchmarks under the base (No SRV) scenario (p 35), and the scenario which is the subject of this application (p 45).

3.4 Contribution plan costs above the cap

You should complete this section if the proposed special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:¹

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning's response to IPART's review and details of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to use, and
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, Long Term Financial Plan and Asset Management Plan AMP).

The Council is not seeking funding for contributions plan costs above the development contribution cap.

¹ See Planning Circular 10-025 dated 24 November 2010 at www.planning.nsw.gov.au and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

Document References for Section 3 (in order of reference: pages referred to identified in text)

Attachment No.	Document
4	Hawkesbury City Council. Supplementary Resourcing Strategy 2017-2027 Incorporation Supplementary Delivery Program 2017-2021
6	Hawkesbury City Council. Original Fit for the Future Council Improvement Proposal (June 2015)
7	Hawkesbury City Council. Fit for the Future Reassessment Proposal (November 2016)
1	Hawkesbury Community Strategic Plan 2017-2036
2	Hawkesbury City Council Delivery Program 2017-2021
5	Community Engagement Materials
8	Review of Council's Strategies for Financial Sustainability. September 2017. Morrison Low
3	Hawkesbury City Council Resourcing Strategy 2017-2027
10	Hawkesbury City Council. Financial Statements for the year ended 30 June 2017.
11	Hawkesbury City Council: Financial Assessment and Benchmarking Report. NSW Treasury Corporation. August 2012.

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. 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. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.²

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

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

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

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

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

² <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

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

The council's application should show how you have explained to its community:

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

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

4.1 The consultation strategy

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

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

4.1.1 Council has consulted and engaged the community about the proposed special variation using a variety of engagement methods and the community is aware of the need for, and extent of, the requested rate increases.

Overview.

Hawkesbury City Council has been engaged in an ongoing conversation with residents about the future of the Hawkesbury. As part of these discussions, Council has been open with the community about the challenges it faces in addressing its asset renewal funding shortfall and long term finances.

Council made reference to the need for special rate increases in the first Resourcing Strategy 2012-2022 that was prepared under the Integrated Planning and Reporting (IP&R) Framework. The need for additional revenue has been identified and reaffirmed in the successive iterations of the Resourcing Strategy. Modelling of 3 different financial scenarios (including two scenarios involving special rate increase) were included in Council's Fit for the Future Improvement Plan in June 2015 (attachment 6) and in Council's Revised November 2016 Proposal (Attachment 7).

Information about the these proposed scenarios, which subsequently formed the basis of Council's SRV community engagement materials was included on pages 22 to 25 of Council's Resourcing

Strategy 2017-2027 (Attachment 3). Pages 18 -19 of Council's Delivery Program 2107-2021 (Attachment 2) also provided advice to residents on its Fit for the Future Improvement Plan including the proposal to consult with residents about the three financial scenarios outlined in Council's Revised Fit for the Future Proposal.

In September 2017 Council prepared and exhibited a *Supplementary Resourcing Strategy and Delivery Program* (Attachment 4) which outlined in detail the issues and considerations relating to the three resourcing options and the outcome of Council's community engagement about these options.

The documentation and explanation of the proposed special rate increase within Council's IP&R documents was supported by a comprehensive community engagement program which commenced in July 2016. The purpose of the three stage strategy was to gather information from residents about service levels (Stage 1) and the future directions of the Hawkesbury (Stage 2). The outcomes of these consultations informed the preparation of resourcing options presented to the community under Stage 3 of the community engagement process. The elements and activities conducted as part of this three stage strategy are summarised in [Table 7](#).

Community Engagement Stage	Town Meetings	Information Kiosks	Community Surveys	Display materials
Stage 1 'Listening to Our Community' July to August 2016	7 Town Meetings attended by 200 people	6 Shopping Centre information kiosks	<ul style="list-style-type: none"> • Statistically Valid Telephone Survey • On-line survey • Straw Poll at Town meetings 	<ul style="list-style-type: none"> • fact sheets providing information on services and assets - cost, current and projected condition. • Ads in local paper, post cards, displays at Council events • information included in community newsletter • displays at library, Council Offices
Stage 2 'The Hawkesbury 2036 Its Our Future' January to February 2017	9 Town Meetings attended by 350 people	<ul style="list-style-type: none"> • 8 information kiosks at shopping centres and community events • targeted youth engagement 	<ul style="list-style-type: none"> • on-line survey 	<ul style="list-style-type: none"> • information postcards sent to all ratepayers • information included in community newsletter • displays at library, Council Offices
Stage 3a. Investing in Your Future July to August 2017	10 Town Meetings attended by 380 persons	11 information kiosks at shopping centres and community events	<ul style="list-style-type: none"> • Statistically Valid Telephone Survey. • On-line survey • mail out-postal ballot to all ratepayers • Straw Poll at Town meetings 	<ul style="list-style-type: none"> • mail out information package and reply paid survey sent to all ratepayers • fact sheets • Mayoral Column • media release • Ads in local paper, post cards, displays at Council events • information included in community newsletter • displays at library, Council Offices
Stage 3b. Investing in Your Future – Supplementary IP&R Documents October to November 2017	2 drop in forums	Public exhibition of Supplementary Resourcing Strategy & Delivery Program		<ul style="list-style-type: none"> • Mayoral Column • media release • Ads in local paper, post cards, displays at Council events • information included in community newsletter • displays at library, Council Offices

Table 7: Consultation activities conducted as part of SRV community engagement program.

Fit for the Future Community Engagement Strategy.

As outlined in the Introduction (p iii) of Council's Supplementary Resourcing Strategy 2017-2027 (Attachment 4), Council has implemented a three-stage community engagement strategy to identify community investment priorities and inform its development of resourcing options to respond to these priorities in a financially sustainable way.

The community engagement program commenced in July 2016. As highlighted in Table 7, a range of activities have been used to engage with residents over this period including:

- a mail out information package and reply paid survey
- community newsletters
- facts sheets
- media releases
- online surveys
- 2 statistically valid telephone surveys
- information in Mayoral Columns
- Facebook posts on the 'Hawkesbury Events' Facebook page
- 26 town meetings
- PowerPoint presentations
- 25 listening and information kiosks at shopping centres and markets
- targeted engagement with young people
- public exhibition of key documents and calls for submissions
- website updates on Council's online engagement portal
- information in Council Rates Notice.

Samples of the consultation materials utilised in Council's community engagement program have been collated in Attachment 5. Council has also conducted regular community surveys (every two years since 2007) and has held focus groups with residents to collect information and knowledge from the community about their understanding of service levels and key assets, suggested options for increasing the funding of services and assets, and current performance gaps. This information has been used to inform the preparation of community engagement materials.

The following section of this application provides a snapshot of the elements of Council's community engagement program.

Stage 1: 'Listening to our community' - July/August 2016



One of the 20 strategies within Council's Fit for the Future Improvement Program (Strategy 3.2 as outlined on Page 65 of Council's original Fit for the Future Proposal – Attachment 6) committed Council to undertaking a Service Level Review in conjunction with

the community to determine acceptable service levels for all asset classes and the community's capacity and willingness to pay for its preferred levels of service.

Accordingly, in Stage 1 of Council's Fit for the Future Community Engagement Program, Council presented information to residents about the different assets that Council managed on behalf of the community and the challenges that Council was facing in maintaining and renewing these assets.

During these consultations Council undertook a range of consultation activities (as summarised in Table 7) to ask residents about their expectations and levels of satisfaction with Council's services and facilities and their priorities for further investment.

The material presented to residents included fact sheets and displays on the different assets that Council manages. This material covered information on different types of assets across different asset categories, the condition of these assets, and actual and required levels of expenditure on assets based on the technical assessment of the condition of these assets.

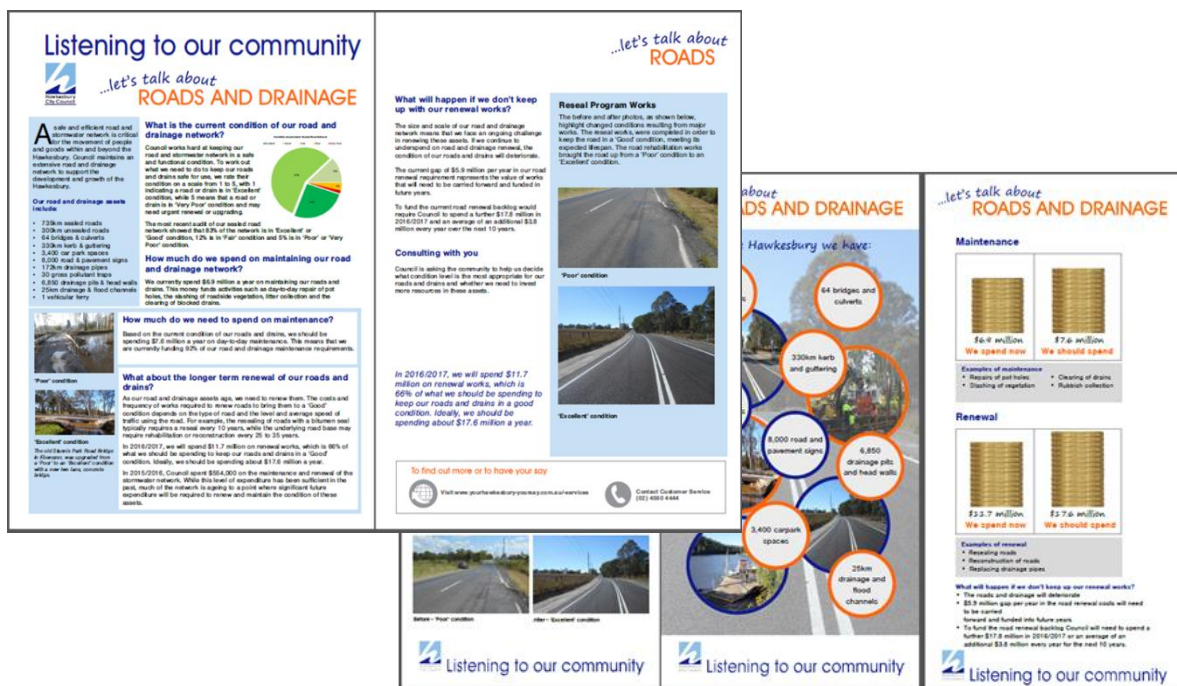


Figure 7: Sample of consultation materials used in Stage 1 of Community Engagement Strategy.

The town meetings and information displays were complemented by a statistically valid telephone survey undertaken on Council's behalf by Micromex Research which explored current investment in assets, relative priority and satisfaction of key community assets (the outcomes of the Micromex Survey are included in the consultation materials in Attachment 5). Figure 8 summarises the outcomes of these consultations which were publicly reported to Council on 11 October 2016 (Attachment 12).

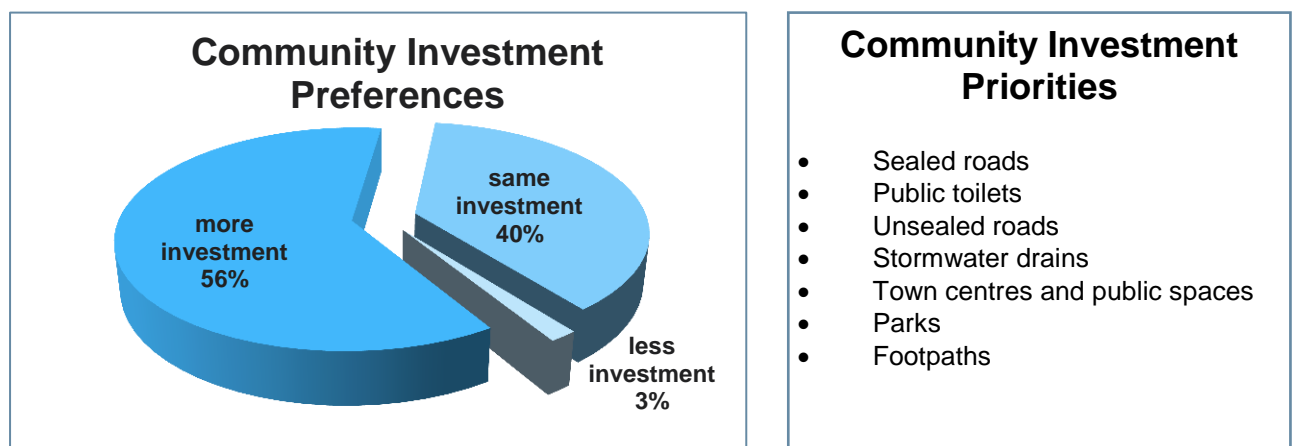
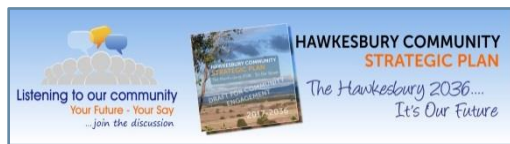


Figure 8: 'Listening to our Community' consultation outcomes

The Stage 1 consultation indicated that very few residents wanted Council to reduce its investment in community assets, with the majority favouring an increase in investment.

When asked what their priorities for future investment were, residents indicated that Council should increase its investment in roads, both sealed and unsealed, stormwater drains, and town centres and public spaces including public toilets, connecting pathways and parks.

Stage 2 – 'The Hawkesbury 2036: Its Our future January/February 2017.



In Stage 2, Council spoke with residents about the future of the Hawkesbury – the things that residents valued about living in the Hawkesbury and the steps that Council needed to take to deliver the future that residents wanted to see.

The outcome of these consultations are summarised on pages 17 to 20 in *the Hawkesbury Community Strategic Plan 2017-2036* (Attachment 1) an extract of which is reproduced below in **Figure 9**.



Figure 9: Highlights of Stage 2 community engagement (pages 17 to 20 Community Strategic Plan).

During these consultations Council spoke with over 350 people at nine town meetings and with many more residents at listening kiosks and through Council's online engagement portal. **Table 8** summarises the priority issues that residents wanted Council to work towards over the next 20 years to achieve the objectives and directions across the five focus area within the Hawkesbury Community Strategic Plan.

Table 8: 'Hawkesbury 2036: It's Our Future' consultation outcomes

Our Leadership	Our Community	Our Environment	Our Assets	Our Future
 <p>Strengthen communication and engagement with residents</p> <p>Advocate strongly for improved infrastructure</p>	 <p>Support volunteerism</p> <p>Increase employment, housing, health and transport options</p>	 <p>Improve the health of our waterways</p> <p>Minimise ecological impacts of development</p>	 <p>Upgrade roads, bridges, drainage, parks and buildings</p> <p>Revitalise our town centres and villages</p>	 <p>Plan for sustainable and balanced development</p> <p>Build on our areas heritage to promote tourism</p>

Table 8 indicated that residents wanted Council to partner and work with the community to build a well-serviced, vibrant city with a rural feel that values its heritage, its waterways and landscapes and its community spirit. They wanted Council to achieve this outcome without sacrificing the values that make the Hawkesbury a special place to live.

Stage 3a – Investing in Your Future: July to November 2017



The outcomes of the Stage 1 and Stage 2 community consultations informed the preparation of the consultation materials presented to the community under Stage 3 of the community engagement process and the three resourcing options presented to the community (as outlined below):

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

As highlighted in [Figure 10](#) (and collated in Attachment 5), these materials included an information package distributed to all ratepayers which contained an 8 page brochure covering the following details

- Councils consideration of special rate increase rates above the rate peg amount
- why Council is considering an SRV and what an SRV is
- the outcomes of Council's consultation with the community
- an outline of the 3 options Council is asking the community to consider
- the annual average rating impact of the three options in both percentage and dollar terms
- an outline of the steps taken by Council to improve its financial situation
- how the funds from the proposed SRV are to be used
- the schedule of town meetings and information kiosks to enable residents to find out more about the investment options
- an enclosed reply paid postcard to give residents the opportunity to identify their preferred investment option.

INVESTING IN YOUR FUTURE

It's your Hawkesbury - Have your say

Consulting about proposed changes to commence on 1 July 2018

IMPORTANT DECISIONS ABOUT OUR COMMUNITY ASSETS

There are some important decisions that Council must make about the future of our assets and services and we need your input.

Some major assets in Hawkesbury City Council have reached a point where we need to find new ways to ensure we can continue to provide the services and assets that our community needs.

Council provides services and maintains assets for more than 150,000 residents who live in 10 different towns, cities and rural locations spread across 2,522 square kilometres. It's the largest council in the southern region.

This list of major assets, parks, and roads is just a small sample of the many assets that we manage and maintain. We need your input to ensure we can continue to provide the services and assets that our community needs.

Our ability to maintain our assets and deliver the services that our community needs is dependent on our financial resources. The additional revenue we collect from rates each year is distributed to the various services and assets that we manage and maintain. This rate is used to fund the costs of the services and assets that we manage and maintain.

Council is considering making a Special Rate Variation (SRV) to increase the rates that we collect from our residents. This will allow us to collect more revenue to fund the costs of the services and assets that we manage and maintain.

WHAT IS THE BROCHURE ABOUT?

The brochure provides information about the proposed changes to our services and assets and the impact that these changes will have on our residents. It also provides information about the three options that we are considering for the SRV.

WHY DO WE NEED A SPECIAL RATE VARIATION?

In September 2016, the NSW Government released details of the NSW State Budget for 2017-18. One of the key changes in the budget was the introduction of a new funding model for local governments. This model requires local governments to contribute a larger share of the costs of the services and assets that they manage and maintain.

The challenge for local governments is to find ways to raise the revenue that they need to fund the costs of the services and assets that they manage and maintain. One way to do this is to increase the rates that they collect from their residents.

Our community has been successful in raising the revenue that we need to fund the costs of the services and assets that we manage and maintain. However, the new funding model requires us to contribute a larger share of the costs of the services and assets that we manage and maintain. This means that we need to find new ways to raise the revenue that we need to fund the costs of the services and assets that we manage and maintain.

WHAT IS A SPECIAL RATE VARIATION?

A Special Rate Variation (SRV) is a way for a local government to increase the rates that it collects from its residents. It allows a local government to collect more revenue to fund the costs of the services and assets that it manages and maintains.

There are three options for an SRV: Option 1 (Reduce), Option 2 (Stabilise), and Option 3 (Improve). Each option will have a different impact on the services and assets that the local government manages and maintains.

THE OPTIONS

Please consider the below three options. Each option will have a varying impact on the services we can provide and the quality of our assets.

OPTION	WHAT THIS OPTION MEANS	IMPACT ON EXISTING FACILITIES & ASSETS	NEW FACILITIES TO BE BUILT	IMPACT ON COMMUNITY PROGRAMS
1 REDUCE	Council will reduce the rates that it collects from its residents by 1.5%.	Existing facilities and assets will be maintained at a reduced level. Some facilities and assets may be closed or sold.	New facilities will not be built.	Community programs will be reduced or stopped.
2 STABILISE	Council will maintain the rates that it collects from its residents at the current level.	Existing facilities and assets will be maintained at the current level. Some facilities and assets may be closed or sold.	New facilities will not be built.	Community programs will be reduced or stopped.
3 IMPROVE	Council will increase the rates that it collects from its residents by 1.5%.	Existing facilities and assets will be maintained at a higher level. New facilities and assets will be built.	New facilities will be built.	Community programs will be increased.

HOW THESE OPTIONS WILL AFFECT AVERAGE RATES*

OPTION	REDUCE	STABILISE	IMPROVE
1 REDUCE	1.5% reduction	0% change	1.5% increase
2 STABILISE	0% change	0% change	0% change
3 IMPROVE	1.5% increase	0% change	1.5% increase

Submission form - Please tick your preferred option

It's your Hawkesbury - Have your say

My preferred option is (please tick one box):

☐ 1 Service levels Reduce ☒ 2 Service levels Stabilise ☐ 3 Service levels Improve

Name: _____

Address: _____

Postcode: _____ Email: _____

Please return this postage paid postcard by placing it in an Australia Post letterbox. No stamp is required.

Consultation concludes Sunday 13 August 2017.

Delivery Address: PO Box 146 WINDSOR NSW 2756

No stamp required if posted in Australia

HAWKESBURY CITY COUNCIL
Reply Paid 87095
WINDSOR NSW 2756

Figure 10: Extract from 8 page 'Investing in Your Future' brochure distributed to all ratepayers.

As part of the Stage 3 Investing in Your Future consultations, Council also held 10 town meetings across the Hawkesbury to present the information in the 8 page Brochure in more detail via a PowerPoint presentation, information displays and fact sheets.

Participants were also provided with a detailed works program which outlined the scope of the works that could be delivered under each option (the works program was also made available on line). At the end of the presentation residents were asked, after considering the information presented, to identify their preferred option for investing in the future.

The face-to-face consultations were complemented by a statistically valid telephone survey undertaken on Council's behalf by Micromex to gauge community sentiment towards a special rate increase (the outcomes of the Micromex Survey are included in the consultation materials in Attachment 5). Residents were also able to register their preference via an on-line survey.

The outcomes of the Stage 3 Investing in Your Future Community Engagement found that there was majority community support for the two options proposing a special variation to rates. The key community message was that two-thirds of residents (66%) did not want service levels to reduce and were willing to pay additional rates to improve or maintain service levels.

[Figure 11](#) summarises the outcomes of the Investing In Your Future Consultations.

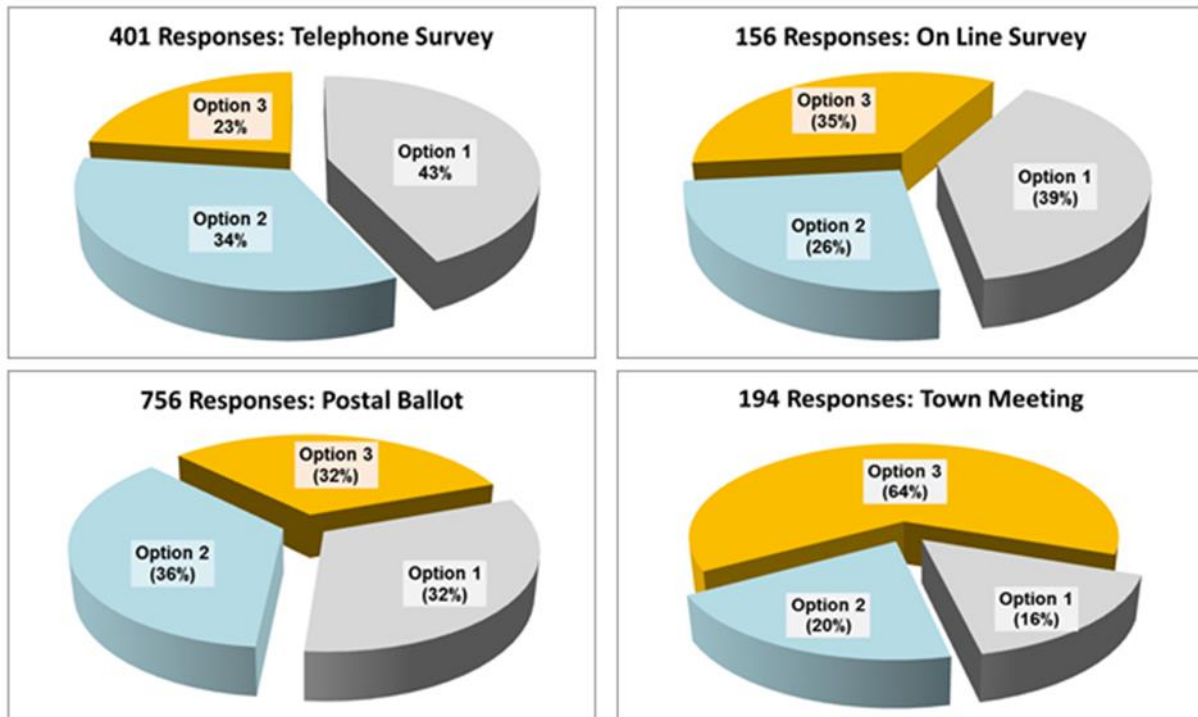


Figure 11: Summary of Preferred Investment Option by Engagement Activity

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

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

- 34% of telephone survey respondents supported Option 2, 23% supported Option 3
- 26% of online survey respondents supported Option 2, 35% supported Option 3
- 36% of postal ballots supported Option 2, 32% supported Option 3
- 20% of the town meeting ballots supported Option 2, 64% supported Option 3.

The outcomes of the community engagement activities indicated that the more information that was provided to residents about Council's financial position and the purpose of the proposed special rate increase, the greater the level of community support for Option 3.

Stage 3b: Supplementary Resourcing Strategy and Delivery Program.

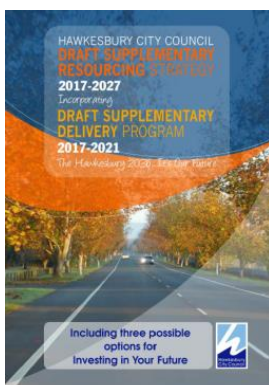
The outcomes of the 'Investing in Your Future' Stage 3 consultations were reported to Council on 12 September 2017 (Attachment 13). The Council report included a summary of the questions that were asked at the ten town meetings held under the Stage 3 consultations, as well as matters raised by residents at information kiosks and/or e-mailed to Council, and Council's response to these issues.

In considering the outcomes of the Stage 3 consultations, Council resolved to identify Option 3 (the special rate increase which is the subject of this application) as its preferred investment option and to further consult with residents on this option.

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

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

To facilitate further community consultation on Council's preferred investment option, Council prepared a *Supplementary Resourcing Strategy and Delivery Program* (Attachment 4) for public exhibition. The intent of the Supplementary IP&R documentation was to:



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

The Draft Supplementary Resourcing Strategy 2017-2027 incorporating the Draft Supplementary Delivery Program 2017 – 2021 was subsequently prepared and placed on public exhibition between 13 October 2017 and 10 November 2017.

The Draft Supplementary IP&R document incorporated the following content and key messages:

Current financial position and financial outlook

- Council is in a sound and stable financial position with expenditure balanced against available revenue.
- Council's current position is due in part to the significant work already undertaken by Council in relation to reducing its operating costs and improving the efficiency of its operations. To date this work has realised an additional \$7.4 million per annum increase in asset renewal and maintenance.
- In comparison with neighbouring councils, Council has a lean staffing establishment and a diverse revenue base and is less reliant on rating revenue to fund its operations.
- Like many councils, Council is experiencing a structural funding shortfall due to past under-investment in asset management.
- T-Corp's (NSW Treasury Corporation) assessment of Council's financial position confirmed Council's capacity to meet financial commitments in the short to medium term but pointed to a need to increase revenue to address the legacy of asset underspend and stabilise its financial outlook.

- Revenue shortfalls have not enabled Council to fund the total cost of asset management. Without intervention, Council is facing a projected asset funding shortfall of \$69M over the next 10 years.
- Council recently engaged Morrison Low Consultants Pty Ltd to review Council's current financial position and Council's strategies for financial sustainability. Morrison Low found that Council's Fit for the Future strategies were generally consistent with other Councils and were found to be appropriate to address Council's financial sustainability. The estimates associated with the strategies were found to be prudent and reasonable and applicable challenges were recognised. Morrison Low also indicated that in their view Council needs a substantial Special Rate Variation.

Issues impacting on financial sustainability

- Council's capacity to achieve long-term financial sustainability has been adversely impacted by rate pegging, cost shifting and a decline in financial assistance from other levels of government.
- The geographic size of the Hawkesbury and lower population density means that in comparison with adjoining councils, Council has a relatively larger asset portfolio and a higher per-capita infrastructure cost.
- Development constraints including significant areas of land subject to flooding and bushfires, have placed limits on the potential for residential development and overall population density will remain low by urban standards.
- While the Hawkesbury is classified as part of Metropolitan Sydney, its blend of urban and rural settlements is uncharacteristic of the metropolitan area.
- There is a challenge in meeting community expectations for urban levels of service and infrastructure (available in adjoining areas of metropolitan Sydney) from a semi-rural rating base.

Planning to become 'Fit for the Future'

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

Community Engagement and Consultation

- Council has implemented an intensive 3-stage community engagement strategy commencing in July 2016 using a range of engagement platforms;
- The consultations indicated that:
 - the community was not satisfied with current levels of service for a range of Council services, facilities, and activities

- residents would like Council to improve service levels by increasing investment in Council services, facilities and activities
- priorities for future investment should centre on roads, public spaces and town centres
- the majority of residents did not want service levels to reduce and were willing to pay additional rates to maintain or improve services.

Three 'Fit for the Future' Resourcing Options

- Council has presented three resourcing options to the community aimed at improving financial sustainability and meeting the asset funding shortfall.
- two of the options (Option 2 and Option 3) are based on revenue assumptions involving additional rate increases, while Option 1 would require a program of service level reductions:
 - **Option 1** provides no additional investment in services and facilities and would require Council to identify service level reductions of \$4M to \$5M a year from its community, cultural, civic and recreational programs, if it is to maintain core services and critical infrastructure
 - **Option 2** will fund a \$1.2M annual increase in asset maintenance and an increase of \$17.8M in new works and \$24.5M in renewal works
 - **Option 3** will fund a \$1.7M annual increase in asset maintenance, a rolling program of new works (\$27.9M in the first 10 years) additional renewal works of \$36.1M and a \$1.8M annual investment in community programs.
- Detailed district programs outlining the scope of works to be delivered under each of three resourcing options have been prepared and published.
- Council has identified Option 3 as its preferred investment vehicle as it would best enable Council to maintain and improve service levels to meet community expectations and realise the community's long term vision for the Hawkesbury.
- Other options to achieve long term financial sustainability, including amalgamation, service level reductions, and large-scale residential development have been considered and either rejected by the NSW Government or have limited support within the community.

Impact on ratepayers

- In comparison with 'benchmark' councils:
 - average residential rates in the Hawkesbury are relatively low and have increased at a lower rate over the last five years
 - the proportion of weekly household income required to pay the average residential rate is also lower and has fallen over the last five years.
- Based on relative socio-economic indexes, the Hawkesbury has some of the more advantaged areas in Australia. However there are also suburbs which are relatively disadvantaged.
- Modelling of the impact of the investment options shows that that by 2021 the average residential rate will increase by:
 - \$84 a year or \$1.61 a week under Option 1
 - \$257 a year or \$4.92 a week under Option 2
 - \$351 a year or \$6.73 a week Under Option 3.
- Council has reviewed its rating structure to bring rating yields back into alignment with proportional land values in response to rating inconsistencies, which resulted in residents in the residential rating category, within the same localities, treated differently for rating purposes.

- The rating changes which took effect from 1 July 2017, will lessen the impact of the proposed special rate increases on those relatively disadvantaged localities with the highest proportion of low income households.
- Some properties in localities bordering the North West Growth Sector have experienced large rating increase relative to other areas in the Hawkesbury, as a result of the substantial increase in their NSW Valuer General determined land values.

The outcomes of the public exhibition of the Supplementary IP&R Documentation was reported to Council on 28 November 2017 and is covered in the next section.

Summary of Fit for the Future Community Engagement outcomes.

As part of its Fit for the Future Community Engagement process Council has conducted three rounds of community consultation:

- The Stage 1 '*Listening to our Community*' service level consultations indicated that residents did not want service levels to be reduced and favoured increasing investment in assets
- the Stage 2 '*Hawkesbury: Its Our Future*' strategic planning consultations identified the key activities required to resource the delivery of the Community Strategic Plan objectives
- the Stage 3 '*Investing in Your Future*' community consultations confirmed that the majority of residents were willing to pay additional rates to fund this increased investment.

During this consultation process Council prepared consultation materials, town meeting presentations and supplementary IP&R documents which clearly outlined:

- the proposed cumulative special variation rate increases including the rate peg for each major rating category (in both percentage and dollar terms);
- the annual increase in rates that will result if the proposed special variation is approved in full (and not just the increase in daily or weekly terms)
- the rate levels that would apply under a base (No SRV scenario).

As part of its consultation program Council has incorporated all of the consultation elements identified in the IPART Guidelines for appropriate community engagement platforms.

4.2 Feedback from the community consultations

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

Where the council has received submissions from the community relevant to the proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

4.2.1. Outcomes and Feedback from Engagement Activities.

Documentation of survey outcomes and community engagement activities.

As outlined in the previous section of this Application, Council had commissioned statistically valid telephone surveys and conducted postal ballots, straw polls and on-line surveys to document and gauge community sentiment regarding investment preferences (under the Stage 1 Listening to the Community Service Level review consultations); and preferred investment options (under Stage 3 of the Investing in Your Future special rate consultations). The outcomes of these surveys have been reported to Council (Attachments 12 and 13) and copies of the Micromex Research telephone survey results have been included in Attachment 5. Stage 2 outcomes (consultations on the future directions of the Hawkesbury) were incorporated on pages 17 to 20 of the *Hawkesbury Community Strategic Plan 2017-2036* (Attachment 1).

Responses to resident questions and issues raised at town meetings.

As part of its engagement program, Council held 26 town meetings over a 13 month period between July 2016 and August 2017. At each of these town meetings, opportunities were provided for residents to ask questions or raise issues with senior staff and elected representatives.

These questions and issues were documented and answered on the night of the town meeting, with written responses subsequently forwarded to participants where they had registered their attendance. Copies of the written responses provided under Stage 1 and Stage 2 of the Fit for the Future Community Engagement Program have been included in the consultation materials collated in Attachment 5. Figure 12 on the following page provides a sample of the written feedback provided to residents in response to questions raised at town meetings.

Responses to residents questions raised at town meetings under Stage 3 of Council's Fit for the Future Community Engagement Program were included in the report to Council (Attachment 13) and subsequently included in Appendix 1 (pages 65 to 82) of the *Draft Supplementary Resourcing Strategy and Delivery Program* (Attachment 4) when it was placed on public exhibition.

The materials collated in Attachment 5 (Consultation Materials) and presented as part of Attachment 4 (Supplementary IP&R documentation) are evidence that that Council has endeavoured to provide detailed responses to questions raised by residents covering a range of issues including Council's Fit for the Future Plan, Cost Containment and Revenue Measures, Council Operations, Special Rate Application, SRV Works Program. Community Consultation, Impact of Proposed Special Rate on Ratepayers, Rating Information and a range of other matters.

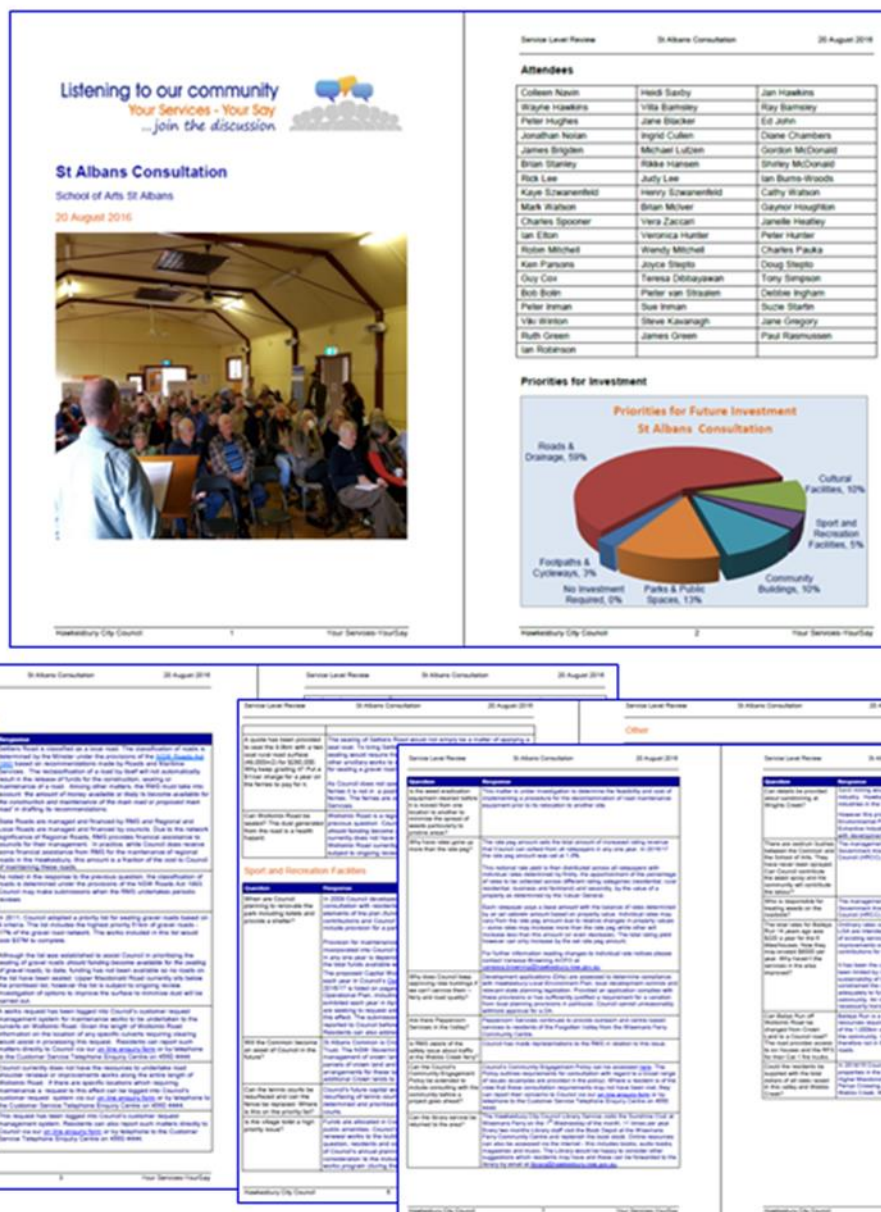


Figure 12: Sample of Written Feedback provided to Town Meeting participants

Responses to public submissions – Supplementary IP&R documents.

Council received 138 submissions in response to the public exhibition of the *Draft Supplementary Resourcing Strategy and Delivery Program*. The outcomes of the public exhibition were reported to Council on 28 November 2017 (Attachment 14) together with redacted copies of the submissions (Attachment 15). In addition to these submissions, representations and a petition from the Oakville Progress Association Inc. were also received

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

Submissions supporting Council's preferred investment option.

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

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

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

Submissions not supporting Council's preferred investment option

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

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

Table 9 summarises the 10 key issues raised in these submissions. Detailed responses to each of these issues, including actions taken by Council to address them, were incorporated within the Council Report of 20 November 2017 (Attachment 14).

Table 9 – Summary of issues and responses for submissions not supporting preferred option

Key Issue raised by Submission Respondents	Response
1. Rating system discriminates against properties with higher land values.	<ul style="list-style-type: none">• Council's rating structure is determined by the provisions of the NSW Local Government Act, 1993. Relative rating charges between properties is primarily determined by land value. Council has made a submission to the IPART review of the local government rating system to increase the equity of rating methodologies and is awaiting response of NSW Government to the IPART review.
2. Why did Council change its rating structure in 2017/2018 to increase rates in Oakville?	<ul style="list-style-type: none">• The rating structure was reviewed to address inconsistencies in the treatment of residential and rural residential properties in the same localities. The 2016 Valuer General land revaluation were the primary cause of rate increases in Oakville due to substantial increases in land value relative to other areas in the Hawkesbury.• Council has worked with NSW Valuer General to explain the land valuation process and options available to request a review of land valuations.

3. Council should defer consideration of special rate until rating structure is normalised.	<ul style="list-style-type: none"> • The current rating structure achieves, as far as possible, a fair and equitable distribution of rates based on land valuation, which is central to the calculation of rates under the NSW Local Government Act. • Council's rating structure is not dissimilar to the rating structures of other councils. • Council is investigating further measures available to it to potentially smooth out and address the relative rating impacts of increased land value.
4. The recent doubling of rates together with proposed SRV increase will impose financial hardship.	<ul style="list-style-type: none"> • Council is conscious of the impact of the recent land revaluations on ratepayers in suburbs affected by substantial increases in land value. • Based on the 2016 census data there may be up to 183 households in these suburbs whose reported income and housing costs could impact on their capacity to meet cost of living increases, including rates. • Council has broadened the hardship provision within the relevant Policy to provide rate relief in cases of demonstrated financial hardship arising from land revaluations.
5. Council should permit land owners to develop their land to benefit from nearby development which has pushed up land values.	<ul style="list-style-type: none"> • Rating categorisation and zoning of land are covered by separate legislation and one does not determine the other. • The plans for the subdivision of land in some areas in Oakville and Vineyard, is well underway by the NSW Department of Planning and Environment (DPE). • The possible extension of these areas will be subject to the provision of required utilities and infrastructure by NSW Government. Council has unsuccessfully sought approval from the DPE to permit detached dual occupancy in rural zones but has resolved to further investigation these options in Oakville and Maraylya.
6. Council should rein in unnecessary spending before considering and SRV.	<ul style="list-style-type: none"> • Council is proposing an SRV only after it has comprehensively reviewed its operations to achieve ongoing cost reductions and efficiency measures. • Despite these measures Council, like the majority of local councils in NSW, is still facing an asset renewal shortfall. • The SRV is intended to raise the balance of revenue to resolve this shortfall. • Council had commissioned an independent review of its financial sustainability plan which confirmed the need for a special rate variation.
7. The outcome of Council's surveys were not representative of the community.	<ul style="list-style-type: none"> • Since June 2016, Council has been engaged in an ongoing conversation with residents about the future of the Hawkesbury. • The tools used as part of the community engagement program are consistent with IPART guidelines. • The telephone survey element of the program is statistically valid and some confidence can be applied to its outcome which showed that the majority of residents supported a special rate option.

8. Council has misled residents about being Fit for the Future. If you are fit Why do you need and SRV?	<ul style="list-style-type: none"> • Council's Fit for the Future Plan was first submitted in June 2015 and included the provision for special rate increases. Council's proposal indicated that its future sustainability was contingent on an SRV. • The Plan, inclusive of the special rate option has been approved by the NSW Government for implementation. Special rate increases are a strategy adopted by most NSW councils to resolve their asset funding shortfalls.
9. Council has misled residents about amalgamation with the Hills Shire.	<ul style="list-style-type: none"> • Council's objection to the merger proposal was outlined in its submission to the independent inquiry into the proposed merger. • The independent delegate generally concurred with Council's reasoning and recommended that the proposed merger not proceed – a recommendation that the NSW Government accepted.
10. Council is increasing rates but delivering very few services. What are you doing with the rating windfall from recent rate increases in Oakville?	<ul style="list-style-type: none"> • Council delivers a range of services across all areas of the Hawkesbury. • The rating income collected from residents contributes to the funding of these services. • Total rates collected each year is determined by a rate peg set by the NSW Government (through IPART). • In 2017/2018, the rate peg amount of 1.5% - as this was less than CPI, the net additional income did not provide Council with extra capacity to increase spending on new works or services.

Responding to the impact of 2016 NSW Valuer-General land valuations

The 'not support' submissions point to a strong community sentiment in those localities most affected by the 2016 NSW Valuer-General land valuations. In particular they highlight the concern of residents as to the relative rating impact of these land valuations particularly in localities adjoining the North West Growth Sector which have experienced comparatively large rate increases from 1 July 2017. The submissions therefore call on Council to defer consideration of a special rate increase.

As outlined in the Council Report (Attachment 14), the factors underlying the issues raised in the submissions that have not supported Council's preferred investment option were carefully considered by Council and Council provided detailed responses to these issues.

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

In considering the public submissions Council came to the view that not proceeding with a special rate increase, and by default, limiting future rating increases to the rate peg amount would have the following implications;

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

Consequently, in the absence of other options to achieve financial and asset sustainability, Council resolved that its preferred investment option, Option 3 (which is the subject of this application) should be pursued. This assessment was based on the following considerations:

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

As highlighted in the Council Report (Attachment 14) , the rating remedy sought by respondents is currently not available under the NSW Local Government Act 1993 which uses relative land values as the primary variable to calculate rating charges for individual properties. The IPART review of the Local Government Rating System may deal with this issue and propose options for providing councils with additional mechanisms to smooth out or stagger the relative rating impacts of substantial increases in land value as occurred in Oakville. In this context, the NSW Government's response to the Review will be an important consideration in responding to the uneven impact of future land valuations on relative rating charges.

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

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

- c) Monitoring of Council's financial sustainability. Council's Fit for the Future Plan, inclusive of a proposed special rate increase, has been approved by the NSW Government and its implementation is to be monitored by the Office of Local Government. Council has been assessed as Fit For The Future on the basis of the elements within the Plan and accordingly there is an expectation that the Plan will be delivered, reported on and tracked. A deferral of the critical elements within the Plan will impact on Council's trajectory for achieving financial sustainability and may result in intervention from the Office of Local Government.
- d) Resolving the asset renewal funding shortfall. Since 2007, Council has been aggressively pursuing a rolling program of cost containment, efficiency and non-rating revenue measures to address its asset renewal funding shortfall. The purpose of the proposed special rate increase is to generate the balance of the revenue required to resolve this shortfall and to prevent the further deterioration of Council's portfolio of community assets. Without additional revenue Council will not be in a financial position to fully fund the required level of maintenance, renewal, and replacement of the assets that Council manages on behalf of the community.

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

Summary- Feedback from Community Consultations.

Council is aware that the feedback received from some residents in relation to the proposed special rate increase has been influenced by the impact of recent land revaluations on rates in those areas of the Hawkesbury adjacent to the North West Growth Sector – and in particular the suburb of Oakville.

Council has received representations from the Oakville Progress Association and has endeavoured to provide factual responses to the questions and issues raised by some members of the Oakville community (these responses were included in the Council Report of 28 November 2017 – Attachment 14).

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

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

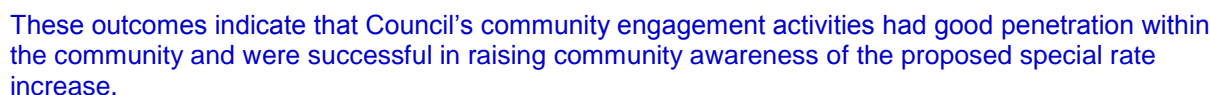
The sample size for the telephone survey was 401 respondents. The selected survey sample reflected the demographic profile of the Hawkesbury (age, gender, employment status, location and length of residency). The survey had a margin of error of $\pm 4.9\%$ which meant that if the survey was replicated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

Based on the outcome of the telephone survey, community support for a special rate option could vary from 52% to 62%. As the telephone survey is statistically valid, some confidence can be applied to the overall outcome which showed that a majority of residents supported a special rate option.

In considering these issues, and in the absence of other viable options to achieve financial and asset sustainability and satisfy the Fit for the Future requirements Council resolved on the 28th November 2017 (Attachment 17) to notify IPART of its intention to apply for a special rate increase. This course of action will provide Council with the capacity to:

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

During the Stage 3 Investing in Your Future consultation period between July and November 2017, the proposed special rate increase was also widely reported in the local press. Samples of press clippings from this period are highlighted in Figure 12.



Document References for Section 4 (in order of reference: pages referred to identified in text)

Attachment No.	Document
6	Hawkesbury City Council. Original Fit for the Future Council Improvement Proposal (June 2015)
7	Hawkesbury City Council. Fit for the Future Reassessment Proposal (November 2016)
3	Hawkesbury City Council Resourcing Strategy 2017-2027
2	Hawkesbury City Council Delivery Program 2017-2021
4	Hawkesbury City Council. Supplementary Resourcing Strategy 2017-2027 Incorporation Supplementary Delivery Program 2017-2021
5	Community Engagement Materials
12	Council Report: 11 October 2016. Outcomes of Service Level Review Consultation.
1	Hawkesbury Community Strategic Plan 2017-2036
13	Council Report: 12 September 2017. Outcomes of Investing in Your Future Consultations.
14	Council Report: 28 November 2017. Outcome of Public Exhibition of Supplementary Resourcing Strategy.
15	Public Submissions: Supplementary Resourcing Strategy

5. Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

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

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

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

5.1. Impact on rates

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

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

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

Councils should also indicate the impact of any other anticipated changes in the rating structure.

Existing 2017/2018 Rating Structure.

Hawkesbury City Council existing rating structure use an ad-valorem rate with a base amount. Council has properties categorised under three land categories – Residential, Farmland and Business (with three Business sub-categories which are treated the same for rating purposes).

Council's existing rating structure is set out on Page 78 of its *2017/2018 Operational Plan*. The relevant table outlining this rating structure is reproduced below in [Table 10](#).

Rate Category/Sub-Category	No. of Properties	Rateable Land Value	% Land Value	Notional Yield	% of Notional Yield	Ad valorem Rate in \$	Base Amount	Base Amount % of Yield
Residential	23,577	\$10,690,563,700	87.12%	\$26,439,977	85%	0.172337	\$340	30.32%
Business Area 1	747	\$393,370,158	3.21%	\$1,609,825	5%	0.344674	\$340	15.78%
Business Area 2	341	\$173,873,462	1.42%	\$715,237	2%	0.344674	\$340	16.21%
Business Area Other	427	\$269,225,972	2.19%	\$1,073,132	4%	0.344674	\$340	13.53%
Farmland	575	\$743,748,000	6.06%	\$1,349,078	4%	0.155103	\$340	14.49%
Total	25,667	\$12,270,781,292	100%	\$31,187,249	100%			

[Table 10](#): Hawkesbury City Council 2017/18 Rating Structure.

It is anticipated that the current rating structure will be maintained over the period of the proposed Special Rate Variation, if approved. If the SRV is not approved it is anticipated that the current rating structure will remain.

The proposed special rate increase of 9.5% (inclusive of the rate peg amount) for each year over the next three years will be applied equally to all rating categories.

Previous Changes to Rating Structure.

In the response to Criterion 2 in this SRV Application, reference was made to the representations and submissions received from the Oakville Progress Association and some residents in localities adjoining the North West Growth Sector.

In particular these submissions and representations highlighted the concern of residents as to the relative rating impact of the land valuations particularly in localities adjoining the North West Growth Sector which had experienced comparatively large rate increases from 1 July 2017. The submissions and representations also raised concerns regarding changes to Council's rating structure which took effect from 1 July 2017.

The primary issues raised in these submissions effectively related to the rating impact of the 2016 NSW Valuer General land revaluations, and as such would seem to fall outside of the scope of matters that can reasonably be responded to in conjunction with the consideration of a special rate increase. As highlighted in the response to Criterion 2, Council has endeavoured to provide detailed responses to these issues and has either commenced actions to address these matters or is proposing to undertake further actions in response to these matters

The following section of this SRV Application explores this issue and provides the context to the matters raised by residents of Oakville, including the 2017/18 changes to Council's rating structure, as they are germane to the assessment of the affordability and equity of the proposed special rate increase.

2017/18 Rating Changes – Context and Explanation.

From time to time, councils review their rating structures to address issues of equity and capacity to pay. The calculation of annual rates is based on the provisions of the *NSW Local Government Act 1993*. In simple terms, in the Hawkesbury Council area, rates are made up of a *base amount* which is applied equally across all rateable properties combined with an *ad-valorem* amount which is based on land-values determined by the NSW Valuer-General.

In January 2017, Council reviewed its rating structure to address rating anomalies which had arisen following prior changes to the rating structure which had taken effect from 1 July 2013.

Prior to 2013 all properties in the Residential rating category (including the rural residential sub-category) were treated the same for rating purposes. In 2013 Council amended its rating structure to treat rural and rural residential properties differently. A lower ad-valorem rate-in-the-dollar was applied to properties in the rural residential sub-category category to reduce the rating yield from these properties – this meant that while rural residential properties represented 28% of land values across the Hawkesbury, their rating yield was fixed at 20%. This reduction in rating yield was offset by increasing the rating yield (65%) from the remaining residential properties relative to their proportional land value (57%). This change altered the balance between land value and rating yield.

The 2016 land revaluations undertaken by the NSW Valuer General intensified this imbalance. As shown in [Table 11](#), if the previous rating structure had been retained, rural residential properties which currently account for 31% of land values across the Hawkesbury would have still contributed a fixed 20% of the rating yield, while the rating yield for remaining residential properties would have remained at 65% while their proportional land values would have decreased further (56%). Council changed the rating structure in 2017/2018 to bring rating yields back into closer alignment with their proportional land values

Table 11 – HCC rating structure 2011 to 2017.

rating category (sub-category)	2011/12		2013/14		2017/18* (without restructure)		2017/18	
	% of LGA land value	% of LGA rating yield	% of LGA land value	% of LGA rating yield	% of LGA land value	% of LGA rating yield	% of LGA land value	% of LGA rating yield
Residential	84%	85%	57%	65%	56%	65%	87%	85%
(rural residential)			28%	20%	31%	20%		
Farmland	7%	5%	7%	5%	6%	5%	6%	4%
Business	9%	10%	9%	10%	7%	10%	7%	11%

The intended purpose of the 2013/14 rating change was to compensate rural properties for the relative distance of these properties from Council services. In practice this objective was not achieved. The 2013/14 rating change actually increased rates for smaller properties (less than 2 hectares) in rural and outlying areas.

This occurred as under the *NSW Local Government Act 1993*, the rating sub-category of rural residential is not defined by the location of a property i.e. whether it is urban or rural, but by the size of the property (if it is between 2 and 40 hectares). Consequently, residential properties (less than 2 hectares) and rural residential properties (more than 2 hectares) can exist side-by-side in the one location. These changes created some unintended rating inconsistencies where properties in the one location, with the same notional access to Council services and facilities, were rated differently. As a result, rates for smaller properties (less than two hectares) increased, while rates for larger properties (between two and 40 hectares in size) in the same locations decreased. The changes also adversely impacted on farmland rates.

The rating changes which came into effect on 1 July 2013 resulted in an increase in rates for 83% of residential properties within the Hawkesbury (19,454 properties) and a decrease in rates for just over 4,000 residential properties.

When overlayed with data based on the Index of Relative Social Disadvantage, the 2013/2014 rating changes generally resulted in an increase in rates for those localities and suburbs with higher levels of socio-economic disadvantage. [Figure 13](#) on the following page, maps the Hawkesbury based on the Index of Relative Socio-Economic Disadvantage - the darker the shading the greater the level of relative socio-economic disadvantage.

Overall, the revised rating structure which took effect from 1 July 2017 resulted in a rates reduction to 19,045 properties (75% of rateable properties), with 11,245 properties experiencing a reduction in rates of more than \$100.

In those suburbs with the lowest SEIFA scores (Hobartville, Windsor, South Windsor and Richmond), the average reduction in annual residential rates was just over 10% or \$97. The size of the rate reductions across these suburbs ranged from \$30 to \$155 due to the impact of land value increases which in some suburbs were above the average increase in land values across the Hawkesbury and therefore increased the *ad valorem* component of the 2017/2018 rating charges and the overall annual rating charges for these suburbs, relative to other areas.

The impact of land revaluations.

The rating structure which took effect from 1 July 2017 also resulted in a corresponding rating increase for 5,695 residential properties, with 1,388 properties (5% of residential properties) experiencing an annual increase of more than \$500. As highlighted in [Table 12](#), the majority of these properties were in localities bordering the North West Growth Sector.

Locality	no of properties	2014 average land value	2016 average land value	average increase in land value	% increase in land value	avg rate 16/17	avg rate 17/18	average rate increase	average % rate increase
Cattai	153	\$562,902	\$927,072	\$364,170	65%	\$1,443.56	\$1,937.69	\$494.13	34%
Vineyard	359	\$374,478	\$780,955	\$406,478	109%	\$1,172.48	\$1,685.88	\$513.40	44%
Maraylya	243	\$560,584	\$956,741	\$396,156	71%	\$1,438.84	\$1,988.82	\$549.98	38%
Richmond Lowlands	21	\$1,223,067	\$1,724,914	\$501,848	41%	\$2,647.69	\$3,312.67	\$664.98	25%
Scheyville	1	\$632,000	\$1,070,000	\$438,000	69%	\$1,516.98	\$2,184.01	\$667.03	44%
Oakville	552	\$601,712	\$1,607,898	\$1,006,186	167%	\$1,489.81	\$3,111.00	\$1,621.19	109%
Total/Average	1329	\$538,183	\$1,188,522	\$650,339	121%	\$1,407.76	\$2,388.26	\$980.50	70%

Table 12: Localities with highest average 2017/2018 rating increases

The rating changes which took effect from 1 July 2017 generally accounted for 15% of the increase in annual rates. In Oakville for example, the rating change accounted for an average of up to \$350 of the rate increase. The large rating increases in these localities were the result of the significant escalation in land values, based on values determined by the NSW Valuer-General, which were much higher than the average 40% increase across the Hawkesbury. For the affected properties, this resulted in the *ad valorem* component of the annual rating charge, which is based on land value, increasing substantially relative to most other properties in the Hawkesbury.

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

In August 2017, Council made representation to the NSW Valuer General to extend the time period for residents to request a review of their assessed land value. 36 objections were subsequently lodged by residents in Oakville, with 5 successful decreases approved by the VG.

Rating Comparisons

Limitations of rating comparisons to other councils

The Office of Local Government classifies local councils based on the degree of urbanisation and population size. Hawkesbury City Council, along with Camden and Wollondilly Councils are currently classified as Group 6 councils - urban fringe areas with populations of between 30,000 and 70,000

people. This pool of three 'like' councils provides a small and not very robust sample for comparative purposes and accordingly, the adjoining councils of The Hills, Penrith and Blue Mountains are usually included when Council 'benchmarks' its performance against other councils.

While these three adjoining councils are classified as metropolitan fringe councils, they are more urbanised and have larger populations than the Hawkesbury, and some caution should be applied when comparing these councils with the Hawkesbury (and the two other Group 6 councils). As has been previously noted, while the Hawkesbury is classified as part of Metropolitan Sydney, its unique blend of urban and rural settlements is uncharacteristic of the metropolitan area.

Council rating comparisons

Each year the Office of Local Government releases a report into the performance of local councils in NSW based on information submitted to the NSW Government by each council. The information presented below has been largely compiled from the most recent annual Comparative Information on NSW Local Government report issued by the Office of Local Government.

Average rates. Table 13 compares average rates for 2016/2017 across the three main rating categories – residential, farmland and business (the fourth category of mining has not been included as only Wollondilly Council collects mining rates).

Average Residential Rates 2016/2017		Average Farmland Rates 2016/2017		Average Business Rates 2016/2017	
Council	Average Rate	Council	Average Rate	Council	Average Rate
The Hills	\$1,049.83	The Hills	\$1,530.81	The Hills	\$1,999.60
Hawkesbury	\$1,108.23	Blue Mountains	\$2,257.51	Hawkesbury	\$2,019.21
Penrith	\$1,225.52	Hawkesbury	\$2,617.68	Wollondilly	\$2,455.14
Camden	\$1,322.61	Wollondilly	\$2,714.45	Blue Mountains	\$3,411.05
Blue Mountains	\$1,436.43	Camden	\$2,719.77	Camden	\$4,795.19
Wollondilly	\$1,524.23	Penrith	\$3,432.83	Penrith	\$6,080.04
6 council average	\$1,231.32	6 council average	\$2,595.59	6 council average	\$3,672.60

Table 13: Average residential, farmland and business rates 2016/2017

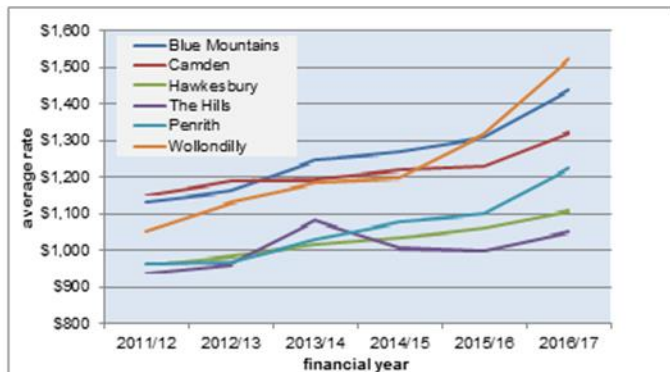
Under each rating category the average rates are ranked from lowest to the highest to show the comparative position of Hawkesbury in relation to the other councils as well as the aggregated average across the six councils. Table 13 shows that:

- for residential rates, Hawkesbury residents pay the second lowest average residential rates and the average residential rate in the Hawkesbury is 10%, or \$123.02 lower than the average across the six councils
- farmland rates in the Hawkesbury are slightly above the average across the six councils at \$22.09 or just under 1% higher than the average. However the two councils with lower average farmland rates are predominantly urban in character and when compared with the three 'like' councils in the same Office of Local Government classification (Wollondilly and Camden) Hawkesbury has the lowest average farmland rates
- for business rates, Hawkesbury businesses pay the second lowest average business rates and the average business rate in the Hawkesbury is 45%, or \$1,653.29 lower than the average across the six councils.

Rating trends. Table 14 tracks changes to average rates for three main rating categories – residential, farmland and business over the five year period from 2011/2012 to 2016/2017. It also charts the relative trends in the trajectory of rating increases over this period for each council.

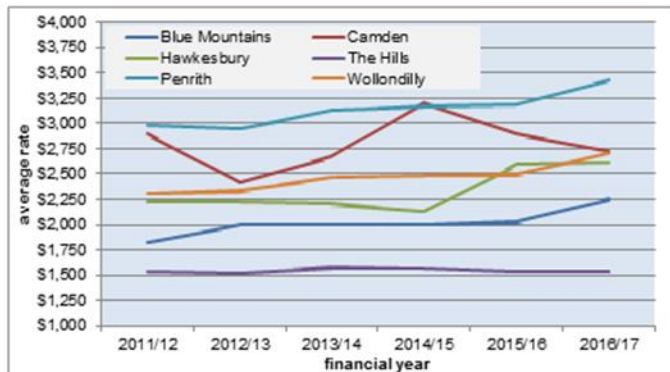
average residential rates
2011/12 to 2016/17

Council	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Blue Mts	\$1,131	\$1,164	\$1,249	\$1,269	\$1,308	\$1,436
Camden	\$1,151	\$1,191	\$1,194	\$1,222	\$1,229	\$1,323
Hawkesbury	\$959	\$985	\$1,018	\$1,035	\$1,061	\$1,108
The Hills	\$938	\$965	\$1,081	\$1,007	\$1,000	\$1,050
Penrith	\$963	\$969	\$1,028	\$1,078	\$1,099	\$1,226
Wollondilly	\$1,053	\$1,131	\$1,183	\$1,197	\$1,317	\$1,524
average	\$1,007	\$1,034	\$1,105	\$1,108	\$1,131	\$1,231



average farmland rates
2011/12 to 2016/17

Council	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Blue Mts	\$1,826	\$2,000	\$2,007	\$2,007	\$2,036	\$2,258
Camden	\$2,899	\$2,414	\$2,677	\$3,202	\$2,906	\$2,720
Hawkesbury	\$2,227	\$2,227	\$2,211	\$2,127	\$2,595	\$2,618
The Hills	\$1,532	\$1,524	\$1,584	\$1,573	\$1,537	\$1,531
Penrith	\$2,987	\$2,956	\$3,129	\$3,176	\$3,193	\$3,433
Wollondilly	\$2,309	\$2,332	\$2,475	\$2,489	\$2,500	\$2,714
average	\$2,303	\$2,246	\$2,343	\$2,386	\$2,513	\$2,596



average business rates
2011/12 to 2016/17

Council	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Blue Mts	\$2,468	\$2,615	\$2,866	\$3,035	\$3,085	\$3,411
Camden	\$4,572	\$4,490	\$4,706	\$4,454	\$4,655	\$4,795
Hawkesbury	\$1,650	\$1,698	\$1,796	\$1,865	\$1,928	\$2,019
The Hills	\$1,769	\$1,850	\$1,827	\$1,923	\$1,946	\$2,000
Penrith	\$5,886	\$5,993	\$6,257	\$6,490	\$6,502	\$6,080
Wollondilly	\$1,545	\$1,621	\$1,888	\$1,852	\$2,093	\$2,455
average	\$3,301	\$3,379	\$3,514	\$3,616	\$3,691	\$3,673

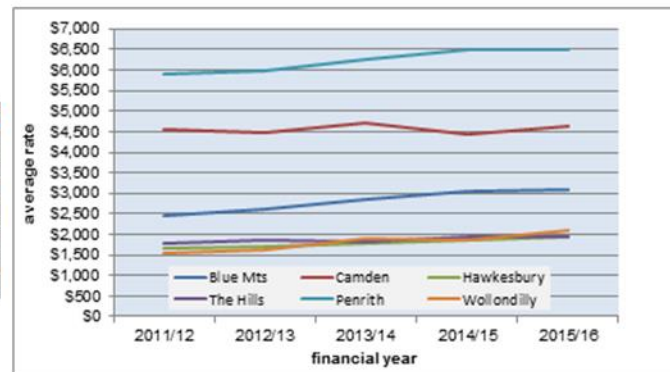


Table 14: Average residential, Farmland and Business Rate Increases 2011/2012 to 2016/2017

Table 14 shows that:

- From a relatively lower starting point, the average residential rate in the Hawkesbury has increased by 13% over the past five years, which is an annual increase of 2.6% compared with the average increase for all six councils of 3.8% a year. Over the last five years the average residential rate has increased by \$123 or \$24.60 a year.
- At 18% over the last five years or 3.6% a year, the average farmland rate in the Hawkesbury has increased at a faster rate than the average annual increase for all 6 councils at 2.6% a year. The major component of this increase can be attributed to a 22% spike in the average farmland rate which occurred in 2014/2015 following changes to Council's rating structure in 2013/2014. The adverse impact on farmland rates was an unintended consequence of the rating changes and have since been remedied following adjustments to the rating structure which took effect from 2017/2018.

- From one of the lowest starting point of the six councils, the average business rate in the Hawkesbury has increased by 22% which is an annual increase of 4.4% compared with the average increase for all six councils of 2.2% a year. Over the last five years the average business rate has increased by \$369 or \$73.80 a year but still remains more than \$1,600 lower than the average across the six councils.

Impact on Ordinary Rates.

Details of the impact of the proposed special rate increase on ordinary rates by rating categories and land value are included in Worksheet 5b in Part A of this application.

Table 15 summarises the annual and cumulative impact of the proposed special rate increase, compared with the base (No SRV) scenario on residential, business and farmland rates.



Base Scenario (No SRV)

annual rate increase	2018/19	2019/20	2020/21
assumed rate peg	2.30%	2.50%	2.50%
additional rate increase	0%	0%	0%
total annual increase	2.30%	2.50%	2.50%
total cumulative increase	2.30%	4.86%	7.48%
cumulative increase above rate peg	0%	0%	0%

residential ratepayers	current	2018/19	2019/20	2020/21
average annual rate	\$1,121.08	\$1,146.87	\$1,175.54	\$1,204.93
annual increase		\$25.79	\$28.67	\$29.39
total cumulative increase				\$83.85
cumulative increase above rate peg				\$0.00

business ratepayers	current	2018/19	2019/20	2020/21
average annual rate	\$2,210.42	\$2,261.26	\$2,317.79	\$2,375.74
annual increase		\$50.84	\$56.53	\$57.95
total cumulative increase				\$165.32
cumulative increase above rate peg				\$0.00

farmland ratepayers	current	2018/19	2019/20	2020/21
average annual rate	\$2,323.95	\$2,377.40	\$2,436.84	\$2,497.76
annual increase		\$53.45	\$59.44	\$60.92
total cumulative increase				\$173.81
cumulative increase above rate peg				\$0.00



Special Rate Increase

annual rate increase	2018/19	2019/20	2020/21
assumed rate peg	2.30%	2.50%	2.50%
additional rate increase	7.20%	7.00%	7.00%
total annual increase	9.50%	9.50%	9.50%
total cumulative increase	9.50%	19.90%	31.29%
cumulative increase above rate peg	7.20%	14.70%	22.70%

residential ratepayers	current	2018/19	2019/20	2020/21
average annual rate	\$1,121.08	\$1,227.66	\$1,344.29	\$1,471.99
annual increase		\$106.58	\$116.63	\$127.70
total cumulative increase				\$350.91
cumulative increase above rate peg				\$267.06

business ratepayers	current	2018/19	2019/20	2020/21
average annual rate	\$2,210.42	\$2,421.00	\$2,650.99	\$2,902.84
annual increase		\$210.58	\$229.99	\$251.85
total cumulative increase				\$692.42
cumulative increase above rate peg				\$527.10

farmland ratepayers	current	2018/19	2019/20	2020/21
average annual rate	\$2,323.95	\$2,545.37	\$2,787.18	\$3,051.96
annual increase		\$221.42	\$241.81	\$264.78
total cumulative increase				\$728.01
cumulative increase above rate peg				\$554.20

Table 15: Comparison of the impact on average rates under the base (No SRV) scenario and special rate increase scenario.

The information in Table 15 was included in the 8 page information brochure distributed to residents under Stage 3 of Council's Community Engagement Program, and also appeared on Page 16 of the Supplementary Resourcing Strategy (Attachment 4). The information in Table 13 differs slightly from the information distributed to residents to take into account the confirmed rate peg amount of 2.3% for 2018/19 (rather than the previously assumed rate peg amount of 2.5%).

What are residents being asked to consider paying?

The proposed special rate increase will require ratepayers to pay increased annual rates over the next three financial years. [Table 16](#) calculates the annual and weekly equivalent rating increases under the proposed special rate scenario compared with the base scenario (no SRV). The boxes outlined in red, are those years where the proposed special rating increase would apply.

The figures in [Table 16](#) are modelled on average residential rates which account for 92% of ratepayers. They show that:

- under the **Base Scenario (No SRV)** average residential rates would increase by between \$26 and \$29 a year for a total annual increase of \$84 by 2021 which is equivalent to \$1.61 a week
- under the **Special Rate Scenario**, there would be three increases above the rate peg amount for a total average annual increase of \$351 by 2021 which is equivalent to \$6.73 a week.

1 BASE SCENARIO (no SRV)				3 SPECIAL RATE SCENARIO			
18/19	19/20	20/21	Total	18/19	19/20	20/21	Total
Annual Increase				Annual Increase			
\$26	\$29	\$29	\$84	\$107	\$117	\$128	\$351
Weekly Increase				Weekly Increase			
\$0.49	\$0.55	\$0.56	\$1.61	\$2.04	\$2.24	\$2.45	\$6.73
annual Increase above (rate peg)							
\$0	\$0	\$0	\$0	\$81	\$88	\$98	\$267

[Table 16](#): Increase in average residential rates – special rate scenario compared with base scenario

Under the Special Rate Scenario the average residential ratepayer is being asked to pay \$267.06 in additional rating charges above the rate peg amount by 2021.

Under the Special Rate Scenario the average business ratepayer is being asked to pay \$527.10 in additional rating charges above the rate peg amount by 2021.

Under the Special Rate Scenario the average residential ratepayer is being asked to pay \$554.20 in additional rating charges above the rate peg amount by 2021.

5.1.1. Minimum Rates

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

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application.

Does the council have minimum Ordinary rates?

Yes ☐

No ☒

If Yes, does the council propose to increase minimum Ordinary rates by:

The rate peg percentage ☐

The special variation percentage ☐

Another amount ☐ Indicate this amount _____

What will minimum Ordinary rates be after the proposed increase? _____

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

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

N/A

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

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

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

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

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

5.2.1 Socio-Economic Profile of the Hawkesbury

Regional Context

The Hawkesbury Local Government Area is a peri-urban area on the north-western periphery of the Sydney Metropolitan Region. It covers an area of 2,793km² and is the largest council area within Sydney. The Hawkesbury Local Government Area straddles the divide between the urban metropolitan councils to its east and the rural councils to its west. While it is classified as part of Metropolitan Sydney, its unique blend of urban and rural settlements is uncharacteristic of the metropolitan area.

Its population of 66,000 live in townships, villages and rural localities divided by flood plains, rural lands and national parks. The population is dispersed with no one town or village containing more than 11% of the total population.



Figure 24: Hawkesbury Local Government Area

Population

In 2016, the Hawkesbury had an estimated resident population of 66,136 people. Table 17 on the following page highlights selected population characteristics for the Hawkesbury Local Government Area compared with averages for Greater Metropolitan Sydney and NSW.

population indicators	Hawkesbury	Greater Sydney	New South Wales
median age	38	36	38
average household size	2.8 persons	2.8 persons	2.6 persons
median weekly household income	\$1,668	\$1,750	\$1,486
median monthly mortgage repayment	\$2,080	\$2,167	\$1,986
median weekly rent	\$360	\$440	\$380
average motor vehicles per dwelling	2.2	1.7	1.7
average annual population growth since 2006	0.67%	1.71%	1.42%

Table 17: Selected Population Indicators: Hawkesbury Local Government Area

Workforce and Economy

The most recent available census data and data from the National Institute of Economic and Industry Research shows that:

- the net wealth generated by the local economy in 2016 was \$3.3B
- there were 6,530 local business operating in the Hawkesbury Local Government Area
- the local economy generated 28,138 jobs
- the unemployment rate was 4.3% (compared with 6.3% for NSW)
- there were 32,329 employed residents
- 44% of the resident workforce were employed in the Hawkesbury, and a further 25% were employed in neighbouring areas of Penrith, Blacktown, The Hills, and Blue Mountains
- 56% of the resident workforce held a post-school qualification
- the most numerous occupations were Technicians and Trade Workers (18.6% of the resident workforce);, Clerical and Administration Workers (15.1%), Professionals (14.8%); Managers (12.8%) and Community and Personal Services Workers (10.1%)
- the most numerous employment sectors for the resident workforce were Construction (15.2% of the resident workforce), Health Care and Social Assistance (9.9%), Retail Trade (9.5%), Education and Training (8.5%), Manufacturing (7.4%), and Public Administration and Safety (7.1%).

Table 18 highlights selected economic and workforce indicators for the Hawkesbury and tracks changes to these indicators for the five year period 2011 to 2016.

Economic and Workforce Indicators	2011	2016	change
gross regional product	\$3.071B	\$3.297B	↑ \$226M
number of local businesses	6,677	6,530	↓ 147
number of dwelling unit approvals	128	231	↑ 103
total value of building approvals	\$69.6M	\$146.5M	↑ \$76.9M
number of local jobs	27,118	28,138	↑ 1,029
number of employed residents	31,175	32,329	↑ 1,154
number of unemployed residents	1,510	1,442	↓ 68
unemployment rate	4.6%	4.3%	↓ 0.3%

Table 18: Selected Economic and Workforce Indicators- Hawkesbury Local Government Area

A Blend of Urban and Rural

As a local government area made up of a blend of urban and rural settlements, the socio-economic characteristics of the different localities within the Hawkesbury reflect this diversity. The Hawkesbury Local Government Area is made up of small villages and rural localities in addition to the main urban centres of Windsor, Richmond and North Richmond.

Just under half of the population (47%) live in the town centres and adjoining suburbs, while 48% of the population live in rural villages and hamlets which roughly lie in a 10 to 15 kilometre arc surrounding the urban centre. The rest of the population (5%) live in small and relatively isolated rural villages and localities which are between 25 and 50 kilometres from the urban centre. These three distinct settlement zones are mapped in [Figure 15](#).

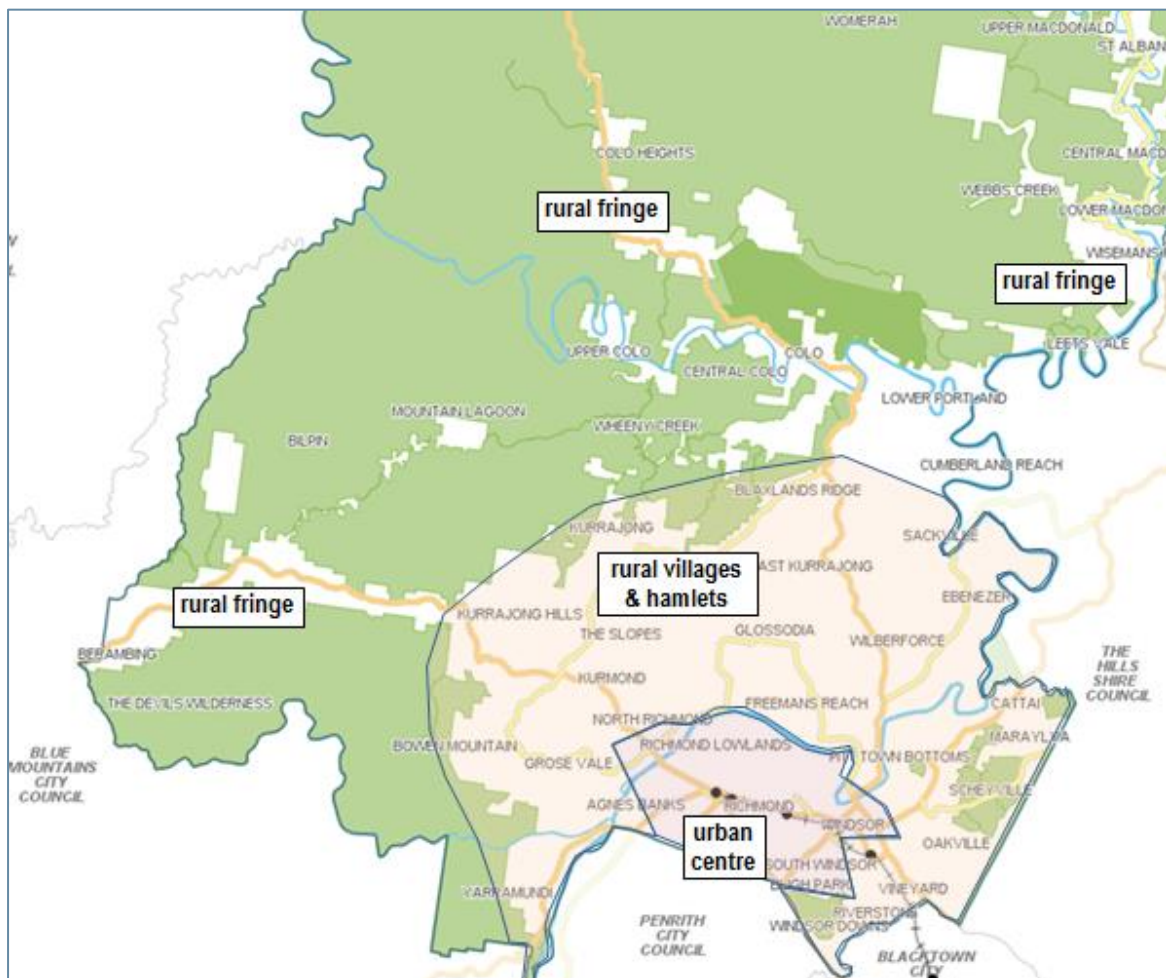


Figure 15: Settlement zones within the Hawkesbury Local Government Area

As would be expected, there are some significant differences in the socio-economic characteristics of these different settlement zones. The urban centre is marked by higher population densities and a relatively younger population. Moving out from the urban centre the population density decreases from 331 persons per square kilometre to two persons per square kilometre in the rural fringe, while the median age of the population increases from 36 in the urban centre to 45 in the rural fringe.

There is a distinct socio-economic pattern where the middle ring localities have higher levels of household income and higher land values than the urban centre and rural fringe. The size of households is also larger in the middle ring and these localities have a higher proportion of family households and relatively fewer lone person households than the urban centre and rural fringe. Housing costs (mortgage payments and rents) are also higher in the middle ring than the other

settlement zones, but they are relatively more affordable due to higher median household incomes in the middle ring localities. Differences in key population and household characteristics across the three settlement zones are highlighted in [Table 19](#).

demographic indicator	NSW	Greater Sydney	Hawkesbury			
			whole LGA	urban centre	rural villages	rural fringe
population, household composition and income:						
population density (persons per km ²)	9.3	389.9	23.8	330.8	79.4	1.6
median age	38	36	38	36	39	45
average household size	2.6	2.8	2.8	2.8	3.1	2.3
average motor vehicles per dwelling	1.7	1.7	2.2	2.1	2.7	1.9
median weekly household income	\$1,486	\$1,750	\$1,668	\$1,435	\$1,995	\$1,364
average residential land value	\$572,118	\$897,792	\$443,604	\$321,939	\$614,454	\$297,016
% lone person households	23.8%	21.6%	20.6%	23.8%	13.5%	21.7%
% family households	72%	73.6%	77%	65%	81%	66%
housing:						
% rental households	31.8%	34.1%	24.3%	33%	11%	14%
% households owned with a mortgage	32.3%	33.2%	41.8%	32%	47%	41%
median monthly mortgage	\$1,986	\$2,167	\$2,080	\$1,939	\$2,267	\$1,912
mortgage as % of median income	30.1%	28.5%	28.7%	31.1%	26.2%	32.8%
median weekly rent	\$380	\$440	\$360	\$356	\$384	\$203
rent as % of median income	25.6%	25.1%	21.6%	24.8%	19.2%	14.9%

Table 19: Socio-economic comparisons of Hawkesbury to Greater Sydney and NSW

Community Well-Being

The Australian Bureau of Statistics (ABS) has developed Socio-Economic Indexes for Areas (SEIFA) to assess the relative welfare and well-being of communities across Australia. SEIFA is used to rank areas according to socio-economic advantage and disadvantage based on census variables across a number of domains including household income, education, employment, occupation, housing and other indicators of community well-being.

Based on the SEIFA indexes, 80% of council areas across Australia have a higher incidence of disadvantage than the Hawkesbury meaning that the Hawkesbury is one of the more advantaged areas in Australia. The Hawkesbury is ranked 116 out of the 564 councils in Australia, and 35 of the 153 councils in NSW in terms of its overall community well-being as measured by the SEIFA indexes.

5.2.2. Assessment of affordability and capacity to pay

This preliminary assessment of the capacity of ratepayers to pay additional annual rating charges of \$267 under the proposed special rate increase supplements the data presented in previous sections which highlighted the following points:

- average residential, farmland and business rates in the Hawkesbury are the lowest within its cohort of 'like' councils within the relevant Office of Local Government council classification category
- average residential rates and average business rates, which represent 98% of rateable properties in the Hawkesbury are below the average residential rate across the six comparison councils against which Council generally benchmarks itself
- rating increases over the last five years have also been well below the aggregated average increases recorded across the six comparison councils

- rating changes which came into effect on 1 July 2017, resulted in a rates reduction to 75% of rateable properties in the Hawkesbury, with the majority of these properties recording a rate reduction of more than \$100
- rating changes which came into effect on 1 July 2017, were targeted at socio-economically disadvantaged areas with the highest proportions of low-income households.

Further information is provided in this section to add to the assessment of whether there is capacity for ratepayers to pay additional rates.

Rates as a proportion of average household income

One way of assessing the affordability of council rates is to calculate the proportion of weekly household income that is required to pay the average residential rate and track this proportion over time. [Table 20](#) calculates 'rating burdens' across the six comparison councils used previously. It also tracks the change in these 'rating burdens' over the past five years.

Council Area	2011/12			2016/17			% change in rates	% change household income	% change in rating burden
	avg residential rate	median annual household income	% of income spent on rates	avg residential rate	median annual household income	% of income spent on rates			
Blue Mountains	\$1,131.13	\$66,218	1.71%	\$1,436.43	\$76,542	1.88%	26.99%	15.59%	0.17%
Camden	\$1,151.02	\$90,046	1.28%	\$1,322.63	\$106,731	1.24%	14.91%	18.53%	-0.04%
Hawkesbury	\$958.63	\$72,214	1.33%	\$1,108.23	\$86,970	1.27%	15.61%	20.43%	-0.05%
Penrith	\$963.33	\$72,892	1.32%	\$1,225.51	\$86,448	1.42%	27.22%	18.60%	0.10%
The Hills	\$937.88	\$106,574	0.88%	\$1,049.84	\$123,207	0.85%	11.94%	15.61%	-0.03%
Wollondilly	\$1,053.25	\$77,063	1.37%	\$1,524.23	\$97,554	1.56%	44.72%	26.59%	0.20%

Table 20: Average residential rate as % of average household income

[Table 20](#) shows that:

- in 2016/2017, annual rate charges were the equivalent of 1.27% of the median annual household income in the Hawkesbury, which was below the average of 1.56% recorded across the six comparison councils
- in proportional terms, over the last five years, the rating burden has decreased in the Hawkesbury from 1.33% to 1.27% of median annual household, the largest decrease across the six comparison councils
- median household incomes in the Hawkesbury have increased at a faster rate relative to rating increases.

Assessment of impacts on low income households

In assessing proposals for special rate increases from councils, IPART requires councils to assess the community's capacity to pay the proposed rate increases. In undertaking this assessment, IPART recommends that councils consider a range of socio-economic indicators.

Many of these measures are highly aggregated, in that they measure socio-economic attributes at a local government area level. In this section, Council has applied key socio-economic attributes at a local area level to identify and rank areas by their relative levels of wealth and income. This analysis has been undertaken to assess the impact of the proposed special rate increases on the more socio-economically disadvantaged areas in the Hawkesbury.

Table 21 outlines some key socio-economic attributes (income and wealth, housing costs and household characteristics) for local areas in the Hawkesbury. Where an attribute is above the Hawkesbury average it is shaded in green, and where it is below the average it is shaded in pink. The greater the number of boxes that are shaded pink, the greater the relative level of socio-economic disadvantage.

suburb/locality	wealth & income			housing costs	households		
	average land value	median weekly household income	% low income households		% rented households	% lone person households	% households with internet
Agnes Banks	\$402,306	\$1,910	11.9%	16.0%	17.3%	14.2%	89.0%
Bilpin	\$406,104	\$1,455	19.6%	15.7%	17.3%	22.3%	84.8%
Blaxlands Ridge	\$499,796	\$2,134	12.5%	16.3%	8.1%	12.1%	89.3%
Bligh Park	\$290,559	\$1,763	12.6%	22.5%	35.8%	18.8%	87.5%
Bowen Mountain	\$253,497	\$1,724	11.8%	20.2%	10.2%	16.1%	90.5%
Colo Heights	\$270,344	\$1,421	22.7%	13.2%	8.8%	27.5%	78.2%
Cumberland Reach	\$271,507	\$1,937	6.5%	15.7%	6.2%	15.5%	78.7%
East Kurrajong	\$592,516	\$2,187	9.1%	16.6%	6.7%	9.2%	89.5%
Ebenezer	\$603,483	\$1,886	12.1%	17.9%	12.1%	16.7%	84.8%
Freemans Reach	\$472,105	\$1,885	12.7%	15.6%	14.8%	14.8%	84.5%
Glossodia	\$397,984	\$1,910	9.3%	18.9%	17.5%	11.7%	88.6%
Grose Vale	\$631,114	\$2,128	10.3%	13.5%	8.4%	11.3%	92.7%
Grose Wold	\$702,828	\$2,239	8.3%	16.2%	12.4%	11.0%	92.9%
Hobartville	\$371,936	\$1,411	17.5%	20.7%	29.6%	22.7%	83.8%
Kurmond	\$564,645	\$1,723	11.0%	16.4%	14.7%	17.7%	90.8%
Kurrajong	\$533,641	\$2,005	12.3%	12.7%	9.1%	14.9%	90.8%
Kurrajong Heights	\$320,189	\$2,042	13.3%	11.1%	6.3%	17.8%	91.8%
Kurrajong Hills	\$616,811	\$2,277	10.5%	19.0%	4.3%	14.8%	88.9%
Lower Macdonald	\$183,329	\$1,187	19.0%	22.1%	18.5%	31.6%	83.3%
Lower Portland	\$395,305	\$1,569	14.1%	17.2%	14.6%	18.0%	81.9%
Maraylya	\$956,741	\$2,133	12.1%	17.4%	15.2%	13.3%	88.2%
McGraths Hill	\$368,559	\$1,925	9.9%	17.6%	19.7%	15.4%	87.2%
North Richmond	\$347,137	\$1,426	18.0%	19.2%	29.7%	23.3%	82.5%
Oakville	\$1,607,898	\$2,095	8.7%	15.0%	13.8%	8.9%	86.7%
Pitt Town	\$687,731	\$2,316	8.3%	19.0%	9.5%	10.0%	90.9%
Richmond	\$286,203	\$1,146	27.2%	26.3%	43.6%	39.5%	73.3%
Sackville	\$402,133	\$1,786	10.8%	25.9%	11.6%	22.4%	85.2%
South Windsor	\$295,409	\$1,283	22.9%	29.6%	45.3%	28.3%	78.1%
St Albans	\$213,708	\$914	26.0%	5.8%	10.3%	35.1%	83.0%
Tennyson	\$803,685	\$1,963	13.6%	14.0%	16.4%	17.7%	79.2%
The Slopes	\$599,577	\$2,113	5.1%	16.5%	3.9%	10.8%	86.3%
Vineyard	\$780,955	\$1,197	34.1%	13.5%	19.6%	36.3%	68.2%
Wilberforce	\$508,562	\$1,867	14.8%	17.6%	17.4%	16.4%	84.9%
Windsor	\$338,628	\$1,422	21.4%	21.7%	39.0%	27.1%	79.3%
Windsor Downs	\$862,969	\$2,458	6.5%	13.2%	3.3%	6.8%	92.6%
Wisemans Ferry	\$174,675	\$954	26.8%	21.4%	28.7%	39.8%	75.5%
Yarramundi	\$610,339	\$2,228	8.9%	12.9%	5.4%	11.4%	92.4%
Hawkesbury	\$452,734	\$1,668	15.9%	19.7%	24.3%	20.6%	84.2%

Table 21: Socio-economic attributes by suburb – Hawkesbury LGA

Those areas with five or more attributes below the Hawkesbury average include Colo Heights, Hobartville, Lower Macdonald, North Richmond, Richmond, South Windsor, St Albans, Windsor and Wisemans Ferry. These localities have the highest proportions of low income households, the lowest

levels of median household income, and some of the highest housing costs as a proportion of household income.

Council has undertaken modelling to gauge the impact of the proposed special rate increases on these areas. This modelling shows that:

- the average residential rate for these areas in 2017/2018 was \$876.11, which is 22% lower than the average residential rate across the Hawkesbury
- the recent change to the rating structure, which took effect from 1 July 2017, delivered an average reduction in rates of \$117 (a proportional decrease of 11.7%)
- by 2021, the projected additional increase in rates under the proposed special rate increase will be \$206.80, 22% less than the average additional increase of \$264.67 across the Hawkesbury.

The rating changes that took effect from 1 July 2017 have substantially lessened the impact of the proposed special rating increases. In 2016/2017 the average residential rate in these areas was \$978. Taking into account the average residential rating reduction of \$117 that occurred in 2017/2018, and factoring in the additional special rate increases over the next three years, the average residential ratepayer under the proposed special rate increase will be paying an additional \$90 above what they were paying in 2016/2017.

Overall, Council's modeling indicates that as a result of the July 2017 rating changes, the relative impact of a special rate increase will be significantly smaller for low income households in those localities with the highest proportion of these households

Improved recovery of outstanding rates

The levels of outstanding rates as a proportion of all rates provides an indication of the capacity of residents to pay their rates on time. [Table 22](#) charts Council's outstanding rates recovery ratio over the past seven years. It shows that the ratio trend has been falling and that Council is on track to achieve the industry benchmark. Council's performance demonstrates good financial management.

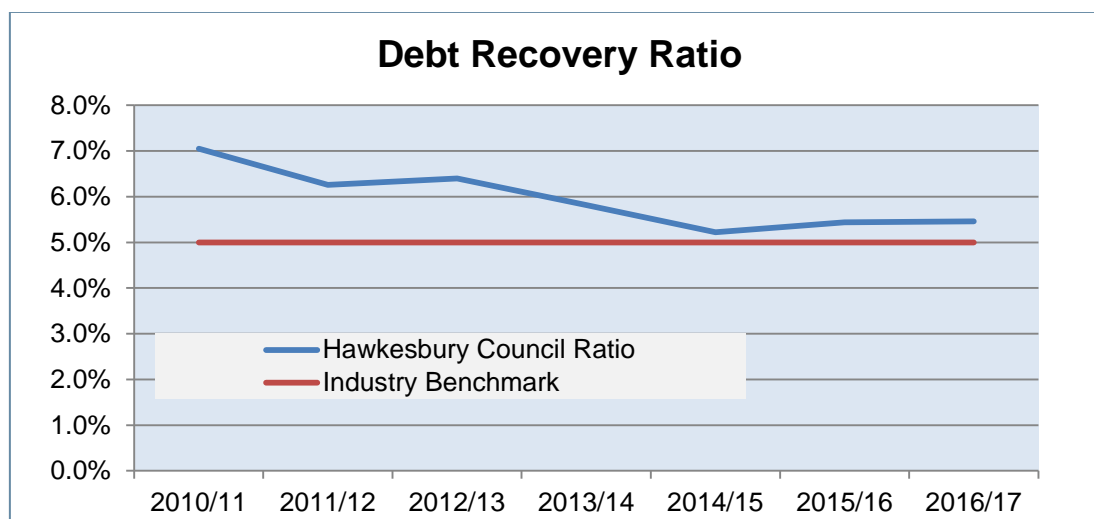


Table 22: Outstanding rates recovery ratio – Hawkesbury City Council 2010 to 2017

Summary

The comparative analysis demonstrates that Hawkesbury ratepayers will generally have the capacity to pay increased annual rates based on the following factors.

The Hawkesbury is near the top 20% of most advantaged local government areas according to its SEIFA ranking	Median weekly household income is \$1,668 which is above the NSW average of \$1,486	Lower housing stress of 19.7% compared to the NSW average of 20.3%
Lower proportion of household income (1.27%) spent on rates than the average across comparison councils	Average residential and business rates are less than the average across the six comparison councils	Average farmland rates are less than 'like' councils that share the same council classification
Rating changes which reduced rates for low-income households and which will lessen the impact of the proposed special rate increases	Average annual rating increases which are below the average increases across comparison councils	Improving rates recovery ratio and falling levels of outstanding rates

5.3. Addressing hardship

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

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

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

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

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

In preparation for the lodgement of this SRV Application, Council reviewed its policy framework as it related to Debt Recovery, Pensioner Rating Concessions and the Write-Off of Rates and Charges. A Draft *Debt Recovery, Pensioner Concession and Hardship Policy* was subsequently prepared and placed on public exhibition between 19 October 2017 and 17 November 2017, and adopted by Council on 28 November 2017 (Attachment 16).

The adopted policy outlines the process in regard to the assessment of financial hardship and the assistance that Council may offer to assist residents who for a variety of circumstances may be unable to meet their financial obligations. The hardship provisions within the Policy provide a consistent and transparent framework for the assessment of applications for assistance.

The Policy provides for assistance to be made available through:

- Periodical Payment Arrangements
- Writing Off Accrued Interests and Costs
- Extension of Pensioner Concessions
- Rate Relief or Deferment in cases of financial hardship arising from a land revaluation of the Local Government Area.

Under the Policy, the assessment of financial hardship is based on the criteria used by Centrelink's "Pensions - Income and Assets Test".

The Policy provides for Pensioner Concessions with respect to

- Ordinary Rates
- Domestic Waste Management Charges
- Sewerage Service Charges
- Sullage Service Charges.

Under the provisions of the Policy Council provides concessions on annual rates and charges to more than 3,100 eligible pensioners. A number of the concessions made available to eligible pensioners are over and above the mandatory concessions under the NSW Government Mandatory Pensioner Concession Scheme.

As the *Debt Recovery, Pensioner Concession and Hardship Policy* was adopted after the public exhibition and adoption of the IP&R documents referred in this SRV Application, the Policy has not directly referenced within Council's IP&R documents. Council's intention to prepare a Hardship Policy was however included in responses in the Summary of Residents Questions and Feedback of the Supplementary Resourcing Strategy (page 75, Appendix 1, Attachment 4).

Specific reference to the Hardship Policy will be included in revisions of Council's IP&R documents in conjunction with the preparation of Council's 2018/19 Management Plan.

Document References for Section 5 (in order of reference: pages referred to identified in text)

Attachment No.	Document
4	Hawkesbury City Council. Supplementary Resourcing Strategy 2017-2027 Incorporation Supplementary Delivery Program 2017-2021
16	Debt Recovery, Pensioner Concession and Hardship Policy. Adopted 28 November 2017.

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

Criterion 4 in the Guidelines is:

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

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.³

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

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.⁴ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

Council's current Integrated Planning and Reporting documents include:

- Hawkesbury Community Strategic Plan 2017-2036 (Adopted 28 March 2017)
- Hawkesbury Supplementary Resourcing Strategy 2017-2027 (Adopted 28 November 2017)
 - Long Term Financial Plan
 - Workforce Management Plan
 - Asset Management Strategy
- Hawkesbury Supplementary Delivery Program 2017-2021 (Adopted 28 November 2017)
- Hawkesbury Operational Plan 2017-2018 (Adopted 13 June 2017)

In terms of Integrated Planning and Reporting documentation, the processes Council has undertaken to reach a decision to apply for a Special Rate Variation are documented in:

- Hawkesbury Resourcing Strategy 2017-2027 (Adopted 13 June 2017)
- Hawkesbury Delivery Program 2017 -2021 (Adopted 13 June 2017)
- Hawkesbury Operational Plan 2017-2018 (Adopted 13 June 2017)
- Hawkesbury Supplementary Resourcing Strategy 2017-2027 (Adopted 28 November 2017)
- Hawkesbury Supplementary Delivery Program 2017-2021 (Adopted 28 November 2017)

For ease of reference, [Table 23](#) provides details of the various Integrated Planning and Reporting documentation, the exhibition period and date of adoption by Council.

³ The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

⁴ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

IP&R Document	Exhibition Period	Date of Adoption
Hawkesbury Community Strategic Plan 2017-2036	23 January – 12 March 2017	28 March 2017
Hawkesbury Resourcing Strategy 2017-2027	21 April – 19 May 2017	13 June 2017
Hawkesbury Delivery Program 2017 - 2021	21 April – 19 May 2017	13 June 2017
Hawkesbury Operational Plan 2017-2018	21 April – 19 May 2017	13 June 2017
Hawkesbury Supplementary Resourcing Strategy 2017-2027	13 October – 10 November 2017	28 November 2017
Hawkesbury Supplementary Delivery Program 2017-2021	13 October – 10 November 2017	28 November 2017

Table 23 Integrated Planning and Reporting Documentation Key Dates

The following provides details of the processes associated with the Integrated Planning and Reporting documentation relevant to this application.

11 October 2016 Ordinary Meeting

The newly elected Council resolved to commence the process associated with the review of the Hawkesbury Community Strategic Plan 2013-2032 and community engagement as outlined in the extract from the Meeting Minutes below:

Item: 213 **GM - Review of the Hawkesbury Community Strategic Plan 2013-2032 - (79351, 95498)**

Previous Item: 280, Ordinary (11 December 2007)
 76, Ordinary (29 April 2008)
 56, Ordinary (31 March 2009)
 220, Ordinary (13 October 2009)
 255, Ordinary (24 November 2009)
 188, Ordinary (9 October 2012)
 225, Ordinary (11 December 2012)

MOTION:

RESOLVED on the motion of Councillor Rasmussen, seconded by Councillor Wheeler.

Refer to RESOLUTION

327 RESOLUTION:

RESOLVED on the motion of Councillor Rasmussen, seconded by Councillor Wheeler.

That as required under the Local Government Act 1993, Council commence the process to review the Hawkesbury Community Strategic Plan 2013-2032 on the basis of the process, and timeframe outlined in this report, and the Draft Community Engagement Strategy attached to this report.

This is Page 27 of the Minutes of the ORDINARY MEETING of the HAWKESBURY CITY COUNCIL held at the Council Chambers, Windsor, on Tuesday, 11 October 2016

13 December 2016 Ordinary Meeting

Council resolved to adopt the Draft Community Strategic Plan for the purposes of community engagement which was to occur in accordance with the Community Engagement Strategy as outlined in the extract from the Meeting Minutes below. The exhibition period and community engagement occurred between 23 January – 12 March 2017.

Item: 273 GM - Review of the Hawkesbury Community Strategic Plan 2013-2032 - (79351, 95498, 124414)

Previous Item: 213, Ordinary (11 October 2016)
57, Ordinary (9 April 2013)

MOTION:

RESOLVED on the motion of Councillor Conolly, seconded by Councillor Wheeler.

Refer to RESOLUTION

432 RESOLUTION:

RESOLVED on the motion of Councillor Conolly, seconded by Councillor Wheeler.

That

1. The Draft Community Strategic Plan as attached as Attachment 1 to this report be adopted for the purpose of community engagement, with the engagement process to be in accordance with the Community Engagement Strategy adopted by Council on 11 October 2016.
2. Following the implementation of the Community Engagement Strategy a further report be submitted to Council to consider the outcomes of the engagement strategy and amend, if required, the draft prior to adoption of the Community Strategic Plan.

This is Page 19 of the Minutes of the ORDINARY MEETING of the HAWKESBURY CITY COUNCIL held at the Council Chambers, Windsor, on Tuesday, 13 December 2016

28 March 2017 Ordinary Meeting

Having considered the outcome of the Community Engagement Strategy and submissions received during the exhibition period, Council resolved to adopt an amended Hawkesbury Community Strategic Plan 2017-2036 as outlined in the extract from the Meeting Minutes below.

ORDINARY MEETING

Minutes: 28 March 2017

CITY PLANNING

Item: 60 CP - Draft Hawkesbury Community Strategic Plan 2017-2036 - Community Engagement - (95498, 124414)

Previous Item: 280, Ordinary (11 December 2007)
76, Ordinary (29 April 2008)
56, Ordinary (31 March 2009)
220, Ordinary (13 October 2009)
255, Ordinary (24 November 2009)
188, Ordinary (9 October 2012)
225, Ordinary (11 December 2012)
213, Ordinary (11 October 2016)
273, Ordinary (13 December 2016)

MOTION:

RESOLVED on the motion of Councillor Conolly, seconded by Councillor Garrow.

Refer to RESOLUTION

97 RESOLUTION:

RESOLVED on the motion of Councillor Conolly, seconded by Councillor Garrow.

That

1. Council receive the outcomes of the Community Engagement Strategy associated with the Draft Hawkesbury Community Strategic Plan.
2. Council adopt the amended Hawkesbury Community Strategic Plan 2017-2036 attached as Attachment 4 to this report.
3. Subject to any necessary minor editing and layout amendments that do not change the intent of the Plan, the adopted Hawkesbury Community Strategic Plan 2017-2036 be published.

10 April 2017 Extraordinary Meeting

Council resolved to exhibit the Draft Resourcing Strategy 2017-2027, Draft Delivery Program 2017-2021, and Draft Operational Plan 2017/2018 as outlined in the extract from the Meeting Minutes below. This exhibition occurred between 21 April – 19 May 2017.

The Draft Resourcing Strategy 2017-2027 exhibited and subsequently adopted clearly articulated in the Long Term Financial Plan Council's Fit For The Future Framework including options for a Special Rate Variation on page 13. Details of the three potential scenarios and financial modeling (Deteriorate, Stabilise, and Improve) were included at pages 22-26 which also highlighted that further consultation with the community would occur in July 2017.

The Draft Delivery Program 2017-2021 exhibited and subsequently adopted clearly articulated Council's approach to Transitioning to a Sustainable Council and its adopted Fit for the Future Strategy on pages 17-20, and Appendix 1 (Summary of Fit For The Future Strategies). This included information about the three rating options that the document outlined were to be presented to the community in July 2017.

The Draft Operational Plan 2017/2018 exhibited and subsequently adopted outlined Council's Financial Sustainability on pages 62-63 and also highlighted as with the Draft Resourcing Strategy 2017-2027 and Draft Delivery Program 2017-2021. It was also highlighted that further consultation was to occur with the community in July 2017 regarding the options for resourcing the increased investment that Council need to attain Fit For The Future status and deliver on the community's service level priorities.

Reports for Determination

GENERAL MANAGER

Item: 68 **GM - Draft Resourcing Strategy 2017-2027, Draft Delivery Program 2017-2021 and Draft Operational Plan 2017/2018 - (79351, 95496, 96332)**

108 RESOLUTION:

RESOLVED on the motion of Councillor Wheeler, seconded by Councillor Rasmussen.

That:

1. The report regarding the Draft Resourcing Strategy 2017-2027, the Draft Delivery Program 2017-2021 and the Draft Operational Plan 2017/2018 be received.
2. The Draft Resourcing Strategy 2017-2027 be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993.
3. The Draft Delivery Program 2017-2021 be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993.
4. The Draft Operational Plan 2017/2018 be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993, with the amendment of deleting point four under the Notes section on page 78.
5. An Extraordinary Meeting of Council be held on Tuesday, 13 June 2017 to consider any public submissions received in respect of the Draft Resourcing Strategy 2017-2027, the Draft Delivery Program and the Draft Operational Plan 2017/2018, and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2018.

This is Page 5 of the Minutes of the EXTRAORDINARY MEETING of the HAWKESBURY CITY COUNCIL held at the Council Chambers, Windsor, on Monday, 10 April 2017

13 June 2017 Extraordinary Meeting

Following consideration of submissions received during the exhibition period, Council resolved to adopt the Resourcing Strategy 2017-2027, Delivery Program 2017-2021 and Operational Plan 2017/2018 as outlined in the extract from the Meeting Minutes below.

EXTRAORDINARY MEETING

Minutes: 13 June 2017

Reports for Determination

GENERAL MANAGER

Item: 100 **GM - Adoption of Operational Plan 2017/2018, Delivery Program 2017-2021 and Resourcing Strategy 2017-2027 and Making and Levying of Rates and Fixing of Charges for the Period 1 July 2017 to 30 June 2018 - (79351, 95496, 96332, 107)**

Previous Item: 55, Extraordinary (11 April 2017)

Mr David Gregory and Ms Jill Vincent addressed Council, speaking for the recommendation.

MOTION:

RESOLVED on the motion of Councillor Reynolds, seconded by Councillor Garrow.

Refer to RESOLUTION

181 RESOLUTION:

RESOLVED on the motion of Councillor Reynolds, seconded by Councillor Garrow.

That:

1. The report regarding the Draft Resourcing Strategy 2017-2027, Draft Delivery Program 2017-2021 and Draft Operational Plan 2017/2018 be noted.
2. The Draft Resourcing Strategy 2017-2027, as placed on public exhibition and incorporating the changes as detailed in the report, be adopted.
3. The Draft Delivery Program 2017-2021, as placed on public exhibition and incorporating the changes as detailed in the report, be adopted.
4. The Draft Operational Plan 2017/2018 including the fees and charges, as placed on public exhibition, be adopted incorporating the amendments as outlined in the report including the rates in the dollar for 2017/2018 to incorporate valuation changes up to the final Rating Resolution.

10 October 2017 Ordinary Meeting

As indicated in the Draft Resourcing Strategy 2017-2027, Draft Delivery Program 2017-2021, and Draft Operational Plan 2017/2018, Council undertook further community engagement with the community in terms of Investing in Your Future in July 2017. Following the outcome of that community engagement process a Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 were prepared for consideration by Council at its 10 October 2017 Ordinary Meeting.

Council resolved to place the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 on exhibition as outlined in the extract from the Minutes below. This exhibition period occurred between 13 October – 10 November 2017.

The Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 detailed the key issues impacting on Council's financial sustainability and presented in detail three investment options (Option 1 – Reduce, Option 2 – Stabilise, and Option 3 – Improve). Based on the community engagement that occurred, Council had identified that Option 3 was the preferred option and the exhibited documentation highlighted that preference.

Item: 186 **GM - Supplementary Draft Resourcing Strategy and Supplementary Draft Delivery Program - (79351, 124414)**

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

MOTION:

RESOLVED on the motion of Councillor Rasmussen, seconded by Councillor Reynolds.

*Refer to **RESOLUTION***

321 RESOLUTION:

RESOLVED on the motion of Councillor Rasmussen, seconded by Councillor Reynolds.

That the Draft Supplementary Resourcing Strategy 2017-2027 incorporating the Draft Supplementary Delivery Program 2017-2021 be placed on public exhibition with the outcomes to be reported to Council.

This is Page 5 of the Minutes of the ORDINARY MEETING of the HAWKESBURY CITY COUNCIL held at the Council Chambers, Windsor, on Tuesday, 10 October 2017

28 November 2017 Council Meeting

Following consideration of the outcome of the engagement strategy and submissions received, Council resolved to adopt the Supplementary Resourcing Strategy 2017-2027 and Supplementary Delivery Program 2017-2021 as outlined in the extract from the Minutes below. Additionally, Council resolved to advise IPART of its intention to prepare an Application for a Special Rate Variation based on Option 3 of the adopted Supplementary Resourcing Strategy 2017-2027. A copy of the Council Resolution has been appended to this SRV Application (Attachment 17).

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

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

372 RESOLUTION:

RESOLVED on the motion of Councillor Lyons-Buckett, seconded by Councillor Rasmussen.

That:

1. Council adopt the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021 as amended with the inclusion of additional paragraphs in the Introductory section of the draft document confirming its preferred Fit for the Future investment option.
2. Council confirm Option 3 as its preferred Fit for the Future investment option and notify the Independent Pricing and Regulatory Tribunal (IPART) of its intention to prepare an Application for a Special Rate Variation based on the following elements:

Information Required	Council Response
Type of special rate application	Application under Section 508A of the NSW Local Government Act – being a special rate variation over a period of three years
Percentage increases each year	As per Option 3 – 9.5% in 2018/2019, 9.5% in 2019/2020, 9.5% in 2020/2021
Permanent or temporary increase	A permanent increase which is retained within the rate base.
Purpose of the special variation	Primary purposes (based on IPART categories): <ul style="list-style-type: none">• maintain existing services• enhance financial sustainability• infrastructure maintenance/renewal.
Principal contact	Executive Manager Community Partnerships

3. Council staff prepare an Application for a Special Rate Variation and submit the draft application for Council's consideration to the Ordinary Meeting on 30 January 2018.
4. Council adopt the draft Asset Management Policy as outlined in the Draft Supplementary Resourcing Strategy 2017-2027 and Draft Supplementary Delivery Program 2017-2021.

7. Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

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

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

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

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

Commitment to ongoing productivity and efficiency

As highlighted in Section 2 of this SRV Application, Council is implementing a three stage strategy to secure its long-term financial sustainability



Stage 1 of this strategy commenced in 2007. Over the last decade Council has implemented a rolling program of cost containment, efficiency and non-rating revenue measures with a particular focus on addressing the legacy of past decades of under-investment in asset renewal. These measures have included:

- Change in leaseback fleet from 6 cylinder vehicles to 4 cylinder vehicles
- Installation of solar panels for electricity generation on Council buildings
- Installation of energy efficient hot water systems at Council facilities
- Installation of timers and remote sensors for lighting at Council facilities
- Water and Energy Metering Program that enables remote monitoring of Council facilities to prevent continued leakages and improved management
- Replacement of Street Lights with LED bulbs
- Installation of pool cover for heated outdoor pool
- Implementation of a Water Saving Action Plan
- Centralisation of procurement enabling more effective contract management
- Centralisation and standardisation of stationery
- Introduction of e-booking capability, reducing both printing and time spent processing by staff
- Implementation of secured access printing, which also enables review prior to final printing to reduce wastage
- Review of tele-communication system, resulting in cheaper calls and reduction in the number of phone lines
- Implementation of electronic signatures, computerised work-flows for notifications and electronic leave forms to reduce printing, double-handling and process times
- Cessation of hard-copy business papers and delivery of documents to Councillors
- Implementation of Customer Call Centre, enabling greater specialisation for other staff and enhanced retention of business-knowledge
- Significant reduction in hard-copy remittance advices and significant increase in electronic payments
- Implementation of mobility devices, reducing the need to print and then replicate electronically
- Implementation of credit card surcharge to recover higher transaction fees associated with payments
- Implementation of proactive maintenance schedules at Council's Sewer Facility and across Council's Building Portfolio, reducing costs associated with breakage and chemical usage
- Installation of electronic fuel monitoring facility at Council Depot.
- Sale of under-performing assets
- Implementation of a fairer user pay system

These measures enabled Council to reduce its operating costs by \$1.6M in real terms, raise \$9.2M from the sale of assets that were no longer needed by the community, and increased its non-rating revenue from user charges by \$800,000.

Table 24, on the following page, charts the level of increased investment in assets that Council has been able to achieve as a result of these measures.

It shows that Council has substantially increased its spending on asset renewal and maintenance from an average of \$9.4M between 2004 and 2010 to an average of \$16.8M every year between 2011 and 2016. Council has been able to direct an average of an additional \$7.4M a year to the task of asset renewal and maintenance.

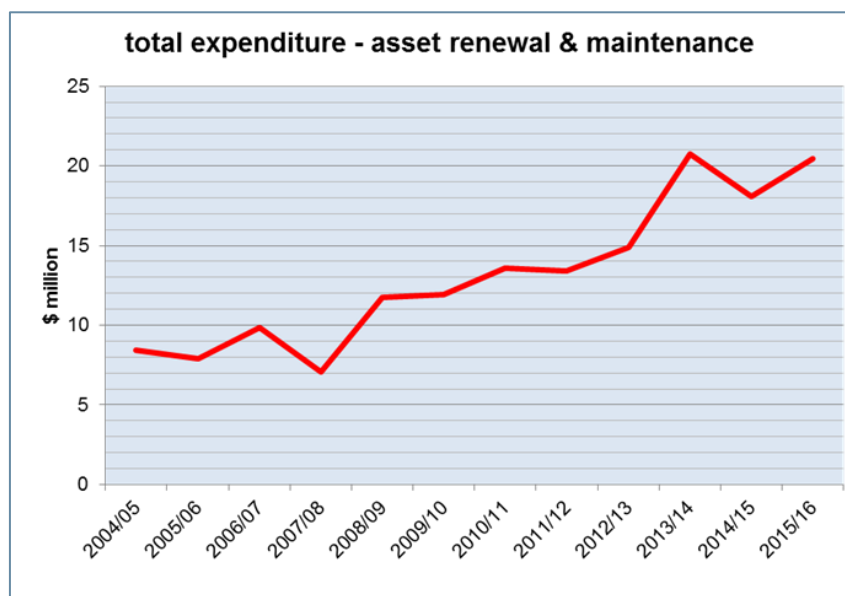


Table 24: Additional investment in asset renewal and maintenance 2005 to 2016

The measures that have been implemented to date as part of financial sustainability journey have focused on ensuring that Council retains a lean staffing operation and a diversified revenue base to keep rates as low as possible. Council has completed extensive financial modelling of its financial position including a comparative assessment of key expenditure and revenue data which indicates that as a result of the measures taken to date, Hawkesbury compares favourably with neighbouring council and those councils in the same local government grouping as the Hawkesbury (Camden and Wollondilly) in relation to employee costs and average residential rates (as previously highlighted in [Table 13](#)).

[Tables 25](#) and [Table 26](#) highlight some of this comparative data. [Table 25](#) shows employee costs as a proportion of total expenditure averaged out over the 3 financial years ending in 2016. It indicates that Council's staffing costs are proportionally lower than comparison councils. This result is even more telling as of the councils listed, the Hawkesbury is the only one that operates sewer and landfill services which account for almost 9% of Council's workforce.

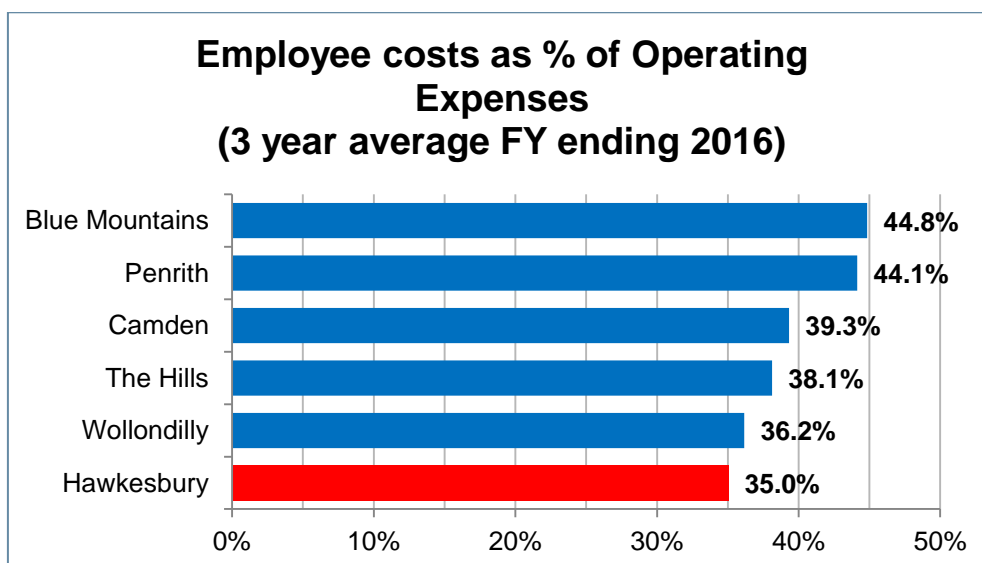
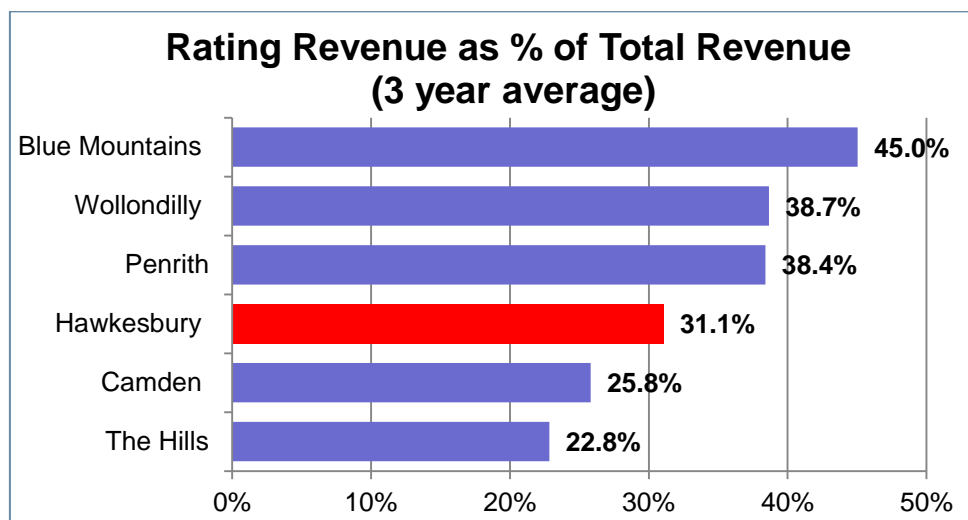


Table 25: Employee costs as a proportion of total expenditure.

[Table 26](#) compares rating income as a proportion of total revenue, averaged out over the three financial years ending in 2016. It shows that in comparison with the average across the six comparison councils used previously, Hawkesbury Council has a more diversified income base and is less reliant on rating revenue to fund its operations. The two councils (The Hills and Camden) with a lower proportion of rating revenues than the Hawkesbury, are located within the NSW Government's identified North West and South West Growth Sectors and their revenues are being temporarily swelled through increased developer contributions to fund new infrastructure linked to the substantial residential development occurring within their boundaries



[Table 26](#): Rating revenue as proportion of total revenue

Fit for the Future Improvement Plan.

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

Councils Fit For The Future Improvement Plan outlines 20 expenditure and revenue measures which will generate \$77.7 M in cost savings and increased non-rating revenues over the next ten years. The implementation of the Fit For The Future Improvement Plan will be a critical component in achieving financial sustainability. There are five broad objectives within the Plan:

- Increasing Operating Efficiencies
- Increasing Operating Revenues
- Building a Sound Platform for Asset Management
- Increasing Investment on Infrastructure Renewal and Maintenance
- Reducing the Unit Cost of Operations.

Council commenced the implementation of the Fit For The Future Improvement Plan in July 2015. [Table 27](#) provides an overview of the projected financial targets for the four year period ending 2020/21 for each of the 20 measures within the Fit for the Future Plan and the progress to date in achieving those targets.

A more detailed outline of the Fit for the Future Strategies has been included on pages 59 to 62 in the Supplementary Resourcing Strategy (Attachment 4). The measures have been factored into Council's Long Term Financial Plan.

Table 27: Summary of Non SRV Fit For The Future Strategies.

Fit For The Future Strategies			Cumulative four year target	Achieved to 30/06/2017	Included in 2017/2018 budget
1.1	Review of Road Operations	Annual 1% efficiency target applied to yearly \$14M spend on road works operating costs (excluding wages and overheads). Reinvested in capital renewal roadworks.	\$600,000	\$19,984	\$150,000
1.2	Review of Service Delivery Models	Annual 1% to 2.5% efficiency target applied to Corporate Support and Discretionary Services (excluding employee costs and overheads).	\$820,179	\$172,836	\$356,386
1.3	Review of Plant/Fleet Management	Review of plant/fleet vehicles and accessories, ownership & maintenance models to achieve annual saving on net cost of operating plant/fleet.	\$1,356,574	\$160,150	\$0
1.4	Property and Asset Review	Rate of return review to identify non-performing and surplus properties for sale or disposal.	\$1,500,000	\$683,773	\$0
1.5	Review of Insurance Coverage and Self- Insurer Model	Review self-insurer model to enable comparison with alternate funding and provisioning arrangements for workers compensation and other insurances. Review to include assessment of impact of self-insurer requirements on procurement costs and staff productivity.	\$155,665	\$0	\$37,487
2.2	Stormwater Management Charge	\$25 annual levy for stormwater management services against properties connected to the stormwater drainage network - commencing in 2017/2018.	\$2,091,006	\$0	\$518,925
2.1 ⁽¹⁾	Resourcing Strategy (Special Rate Variation)	Special rate variation of 23.81% (above rate peg) commencing 2018/19 to generate additional revenue to meet loan repayments for \$40M infrastructure borrowings program, with balance of revenue directed to asset renewal and maintenance and budget repair	\$14,311,626	\$0	\$0
2.3	Special Levy for New Residential Development	Special Rate applied from 2019/2020 to developments at Redbank and Jacaranda Ponds Glossodia to generate additional revenue to fund asset maintenance requirements which will not be covered by ordinary rating revenue due to the particular characteristics of the environmental and heritage assets within these developments.	\$832,000	\$0	\$0
2.4	Waste Management and Sewer Dividend	A 12% rate of return on the value of assets within Waste Management Facility and Sewerage Schemes.	\$2,708,703	\$930,104	\$621,000
2.5	Review of Pricing Structures	Review operations of income generating 'non-core' business units – Cemeteries, Companion Animal Shelter, Richmond Pool, Upper Colo Reserve so that pricing structures can be geared to achieve break-even operating position over medium term.	\$506,291	\$118,262	\$30,815

Fit For The Future Strategies			Cumulative four year target	Achieved to 30/06/2017	Included in 2017/2018 budget
2.6	Lobbying for increased regional road funding	Council receives RMS funding as a contribution to the costs of maintaining regional roads. It is proposed that Council lobby government to have additional roads placed on the regional roads network and seek contribution to costs of maintaining these roads.	\$8,841,672	\$2,838,086	\$1,462,587
3.1	Completion of Asset Management Plans	Completion of asset management plans to provide a sound platform for long-term financial forecasting.	NIL	NIL	NIL
3.2	Service Level Review	Community engagement strategy to determine safe, affordable and agreed levels of service for all asset classes. Intended to establish BTS asset standard for asset classes to reflect community priorities	NIL	NIL	NIL
4.1	Integrated Capital Works Program	Establish parameters for capital works investment with a clear priority on asset renewal to address infrastructure backlogs and upgrade of existing assets. Based on S94/94 and VPA work programs capital funding of \$8.8M will be directed to asset renewal works between 2016/2017 and 2020/2021.	\$7,446,835	\$3,035,687	\$686,130
4.2	Sinking Fund for Community Facilities	Building maintenance and renewal levy applied to community facilities used to deliver fee-paying and/or funded child care services based on 50% of the annual depreciation charges for these facilities as a contribution to the maintenance and renewal of these assets.	\$192,285	\$0	\$0
4.3a	Infrastructure Borrowings Program	Loan facility to fund accelerated 5 year works program focused on road upgrades and renewals, renewal of park assets and community buildings, in response to documented community priorities.	\$7,746,670	\$0	\$0
4.3b	Energy Efficiency Borrowings Program.	Loan facility to invest in energy efficiency infrastructure. Costs recovered through energy savings would be used to fund loan borrowings	\$33,590	\$0	\$0
5.1	OPEX Expenditure Reduction	Projected savings to be achieved through the adoption of new technology, online service delivery platforms, and a review of opening hours.	\$505,931	\$28,537	\$44,587
5.2	Regional Strategic Alliance	Formal partnership with Blue Mountains and Penrith City Councils to implement regional joint projects to increase operating efficiencies through the aggregation of service contracts and the sharing of resources and corporate costs across the three councils .	\$810,502	\$0	\$16,558
5.3	Sustainable Population Growth	Continued implementation of Hawkesbury Residential Land Strategy (HRLS) to concentrate new residential development around existing urban centres and villages.	\$631,149	\$148,603	\$133,596
TOTAL CUMULATIVE IMPACT			\$51,090,678	\$8,136,022	\$4,058,071

⁽¹⁾ Note: The information in [Table 27](#) has been adjusted to incorporate the special rate increase which is the subject of this application. It differs from the Table 17 on page 57 of the Supplementary Resourcing Strategy which canvases a notional SRV (identified as Option 2 in the Supplementary Resourcing Strategy). The Supplementary Resourcing Strategy was prepared and publicly exhibited to provide information to residents on the projected service level outcomes of Council's preferred investment option (identified as Option 3) relative to other options. In considering the community feedback and outcome of the public exhibition of the Supplementary Resourcing Strategy, Council subsequently resolved to advise IPART of its intention to prepare an Application for a Special Rate Variation based on Option 3 of the adopted Supplementary Resourcing Strategy 2017-2027. Table 27 has been adjusted to reflect the Council Resolution.

[Table 28](#) provides a graphical summary of the targets and progress in achieving the 20 strategies within Council's Fit for the Future Improvement Plan (based on the information outlined in [Table 27](#))

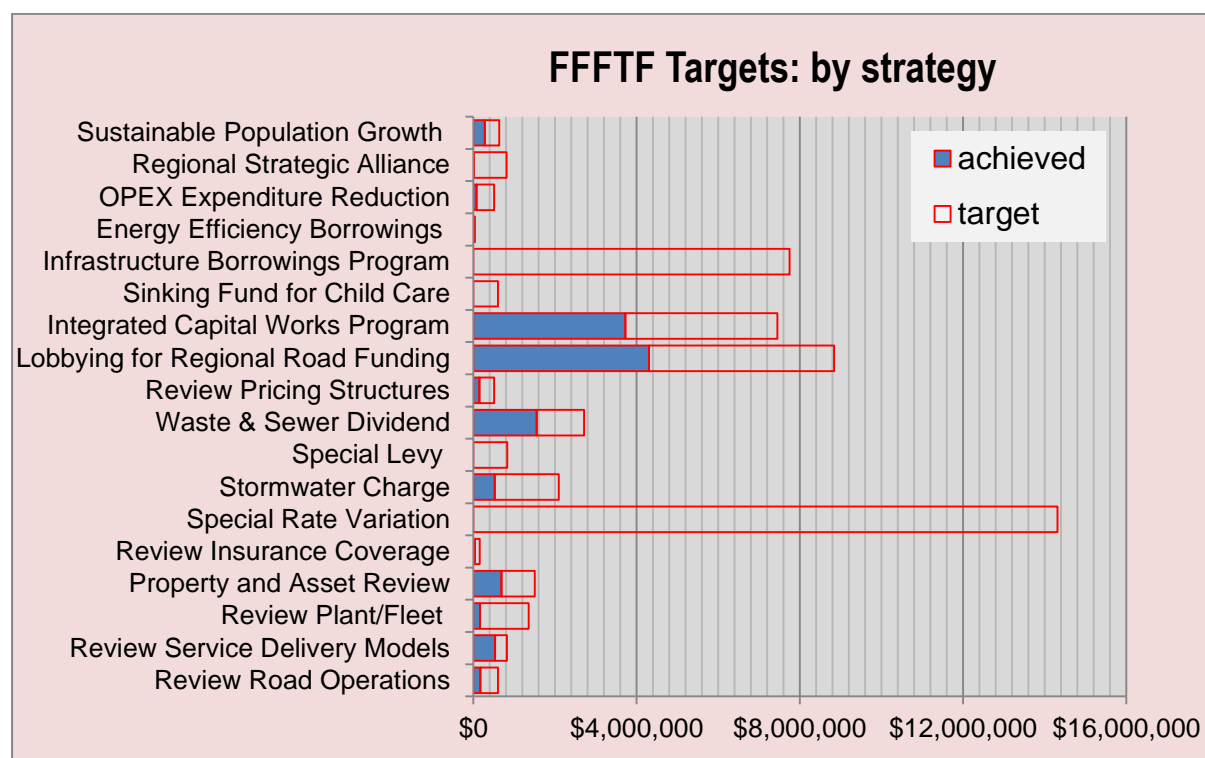


Table 28: Fit for the Future: Summary of Performance Target Progress

Independent Review of Fit For The Future Strategies and Options

In September 2017, Council commissioned an independent review of its financial position and planning documents, including its Fit For The Future Improvement Plan, to investigate if there were other productivity strategies or cost containment options that Council could pursue to improve its long term financial sustainability.

Morrison Low were engaged to undertake the review. Their report on the *Review of Council Strategies for Financial Sustainability* is attached to this SRV Application (Attachment 8). As part of their assessment Morrison Low:

- reviewed Council's current and projected financial position
- reviewed within the context of delivering on the Community Strategic Plan 2017-2036
- reviewed the strategies included in Council's Fit For The Future Plan
- benchmarked Hawkesbury City Council with other NSW councils.

The main findings within the Morrison Low report include:

- the Fit For The Future Strategies are generally consistent with other councils
- the Fit For The Future Strategies were found to be appropriate to address Council's financial sustainability
- the estimates associated with the strategies were found to be prudent and reasonable
- the challenges associated with the strategies were recognised by Council
- there were no alternate strategies or initiatives which would generate the level of revenue/savings to replace the proposed special rate increase
- Council needs a substantial Special Rate Variation.

Summary.

As outlined in the Supplementary Resourcing Strategy, the cost of Council's day-to-day operations are currently balanced against available revenue. However, as successive reviews of the financial sustainability of local government in NSW have indicated, the majority of councils in NSW have been under-spending in the area of asset management and like most councils, Council is facing a structural funding shortfall due to this legacy of under-investment. Without intervention Council will face a cumulative infrastructure funding gap of \$69M over the next ten years.

Council is proposing an SRV, only after it comprehensively reviewed its operations to achieve ongoing cost reductions and efficiency measures. Since 2007, these measures have enabled Council to invest an additional \$7.4M a year in asset management to address the asset funding shortfall. Council has also adopted a Fit for the Future Improvement Plan which by 2021 will generate a further round of efficiency savings of \$2.5M a year, increase non-rating revenue by \$2.4M a year, and realise a further \$1.5M in property sales.

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

The primary purpose of this SRV Application is to generate the balance of the revenue required to resolve the asset funding shortfall in a financially sustainable way.

Document References for Section 7 (in order of reference: pages referred to identified in text)

Attachment No.	Document
4	Hawkesbury City Council. Supplementary Resourcing Strategy 2017-2027 Incorporation Supplementary Delivery Program 2017-2021
8	Review of Council's Strategies for Financial Sustainability. September 2017. Morrison Low

8. List of attachments

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

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

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

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

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

Summary of Attachments:

Attachment No.	Document
1	Hawkesbury Community Strategic Plan 2017-2036
2	Hawkesbury City Council Delivery Program 2017-2021
3	Hawkesbury City Council Resourcing Strategy 2017-2027
4	Hawkesbury City Council. Supplementary Resourcing Strategy 2017-2027 Incorporation Supplementary Delivery Program 2017-2021
5	Community Engagement Materials
6	Hawkesbury City Council. Original Fit for the Future Council Improvement Proposal (June 2015)
7	Hawkesbury City Council. Fit for the Future Reassessment Proposal (November 2016)
8	Review of Council's Strategies for Financial Sustainability. September 2017. Morrison Low
9	Correspondence. 4 August 2017. The Hon. Gabrielle Upton MP. Advising outcome of Fit for the Future Reassessment
10	Hawkesbury City Council. Financial Statements for the year ended 30 June 2017.
11	Hawkesbury City Council: Financial Assessment and Benchmarking Report. NSW Treasury Corporation. August 2012.
12	Council Report: 11 October 2016. Outcomes of Service Level Review Consultation.
13	Council Report: 12 September 2017. Outcomes of Investing in Your Future Consultations.
14	Council Report: 28 November 2017. Outcome of Public Exhibition of Supplementary Resourcing Strategy.
15	Public Submissions: Supplementary Resourcing Strategy
16	Debt Recovery, Pensioner Concession and Hardship Policy. Adopted 28 November 2017.
17	Council Resolution to Apply for SRV. 28 November 2017
18	Certification; Application for a Special Rate Variation.

9. Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: [Hawkesbury City Council](#)

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

General Manager (name): [Peter Conroy](#)

Signature and Date:

Responsible Accounting Officer (name): [Emma Galea](#)

Signature and Date:

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