Frequently asked questions.

These FAQs were posted on Council's SRV website during the consultation to assist the community's understanding of topics when the same question was being asked by multiple people.

What is a 'rate peg'?

The rate peg is the maximum percentage amount by which a council may increase its rates income for the year.

The NSW Independent Pricing and Regulatory Tribunal (IPART) set the rate peg. The rate peg for North Sydney Council in 2025/26 is 4%.

What is a Special Rate Variation (SRV)?

A Special Rate Variation (SRV) refers to an increase in total general rates that is greater than the published rate peg. Each year, the Independent Pricing and Regulatory Tribunal (IPART) sets a rate peg for every council in NSW, which is based on the expected cost increases that councils will incur. When councils need to increase total rates by more than the rate peg, they must apply to IPART for an SRV.

For an SRV to be approved, councils must demonstrate that they have met the criteria set out by the Office of Local Government (OLG), including demonstrating that there is a need for the SRV, ensuring that the community is aware of the proposed SRV, understanding the community's capacity to pay for the increase and making sure that the council's planning and reporting documents (particularly its Long Term Financial Plan) reflect the need and scope for the proposed SRV.

For North Sydney Council, the proposed SRV is critical to:

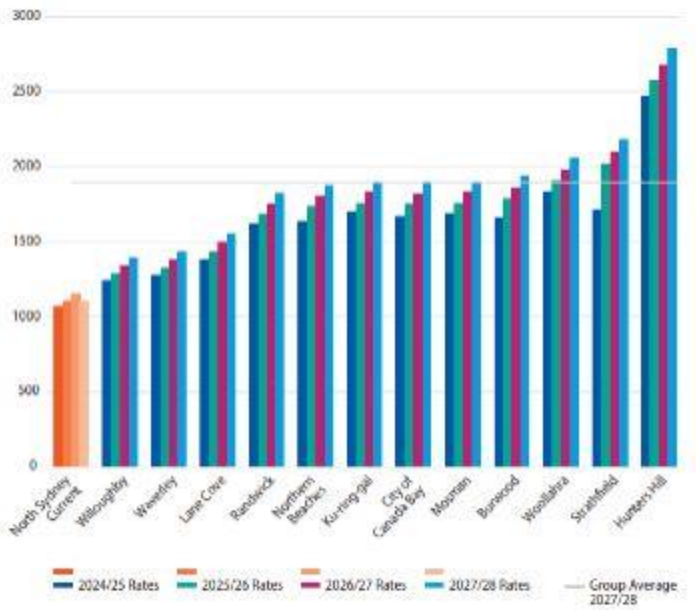
- Strengthening and stabilising finances and reducing the structural deficit.
- The delivery of current service levels.
- Addressing a growing backlog in infrastructure maintenance and renewal.
- Reducing internal and external debt associated with the North Sydney Olympic Pool redevelopment.
- Securing financial sustainability to meet the needs of a growing and changing population.

Why does North Sydney need to consider an SRV?

Several factors have contributed to Council's current financial challenges:

- **North Sydney Olympic Pool redevelopment:** This major project has significantly impacted the Council's financial position. External debt has increased, and internal reserves have been drained, further reducing Council's asset renewal capacity. In addition, ongoing costs associated with interest repayments and future renewal costs will add to operating deficits already experienced.

- **Declining revenue from other sources:** Historically, the Council adopted a diversified approach to revenue generation to reduce its reliance on rates. Traditionally, around 45% of total operating revenue has been generated through user charges, fees, and other non-rate income. This includes on-street parking fees, fines, advertising revenue, and commercial rental income. While this strategy has lessened the financial burden on residents and businesses, it has also exposed the Council to financial shock and fluctuations in income. Since the 2020 COVID-19 pandemic, adjusting for inflation, income from user charges, fees, and other revenue streams, it is estimated that revenue for the current fiscal year is down by $9.9 million. The cumulative effect of declining revenue has also impacted reserve levels and capacity for infrastructure renewal.
- **Asset maintenance and renewal:** Current estimates of infrastructure backlog indicate a history of underinvestment in asset renewal, which has compounded over time and further exacerbated funding challenges. In particular, 62% of Council building assets have been assessed at a rating of less than 'good', which limits their ability to best service the community. Addressing this backlog will require targeted, sustained investment to bring infrastructure management up to a level that meets both current and future community expectations.
- **Cost increases:** Costs have increased faster than revenue in recent years. While IPART has addressed some of these issues through rating reforms implemented in July 2024, historical gaps remain, exacerbating the financial strain. Like many Councils, we have had to cut back on asset expenditure, leading to a growing backlog of capital works.
- **Outdated information systems and technology:** Over the past two years, Council has actively reviewed its operations to identify opportunities for improvement. While progress has been made, Council's ability to generate efficiencies is constrained by its outdated suite of information systems and technology. These systems are not integrated, require excessive manual intervention, and lack the sophistication needed to support timely decision-making. The inefficiencies caused by these systems are a major source of frustration for the workforce and, indirectly, for residents and customers, negatively impacting the overall customer experience.
- **Historically low rates income:** Historically, residential rates have remained low, providing under 44% of Councils operating revenue, due to reliance on other sources of income. This is no longer sustainable. The following chart shows a comparison of current and forecast residential rates with other Councils in the region and across Sydney. This does not factor in SRV's currently being proposed in these Council areas.



Outside of an SRV, what is Council doing to improve its performance?

Council has initiated a comprehensive program of review and improvement to ensure the effective use of public funds. In 2023, a major realignment of the organisational structure was implemented, establishing a clear leadership and service unit framework. As a result of this realignment, over $6.4 million in employee benefits and oncosts were reallocated to streamline leadership structures and address critical resource needs in areas such as risk management, commercial property management, parks and gardens maintenance, organisational improvement, technology, and strategic planning.

Ongoing and future review and improvement programs include the introduction of:

- A process mapping initiative, initially targeting 250 high-priority processes, with plans to expand to 1,000 over time. This effort aims to identify opportunities for greater operational efficiency.
- A new service level review framework to ensure that Council's services are aligned with the evolving needs and expectations of the community.
- Service unit planning to identify workforce development priorities, opportunities for process improvement, and areas for financial review.
- A development and performance framework to support the creation of a high-performing workforce.
- A new workforce strategy aimed at positioning Council as a competitive employer in a challenging environment marked by skills shortages.

Despite these significant commitments to improve organisational efficiency, Council's ability to generate efficiencies is constrained by its information systems and technology.

What options is North Sydney considering?

Council is consulting on four SRV options, which present different levels of financial strength and sustainability for North Sydney. Options one, two and three are different in size and reflect a different level of benefit. Options 2a and 2b provide the same benefits but have different implementation paths.

Key benefits for each option:

Option 1: Financial repair – focuses on financial repair, improvement to governance and administration, the delivery of critical infrastructure backlog projects and managing debt repayments.

Option 2a and 2b: Strength and sustainability – includes everything in option 1 as well as delivery of community infrastructure and service priorities developed in response to widespread consultation in May and June 2024.

Option 3: Future growth – delivers everything in Options 2a and 2b, as well as additional funding to bring building infrastructure to a 'good' condition, over a ten-year period commencing in year 4.

Rate path proposals:

All options include the rate peg	2025-26	2026-27	2027-28	Cumulative[1]
Option 1: Financial repair (3 year SRV)	50%	5%	5%	**65.38%**
Option 2a: Strength and sustainability (2 year SRV)	50%	25%	Rate peg	**87.50%**
Option 2b: Strength and sustainability (1 year SRV)	75%	Rate peg	Rate peg	**75%**
Option 3: Future growth (3 year SRV)	60%	20%	10%	**111.20%**
Rate peg (base case)	*4%*	*3%*	*3%*	

1 The Office of Local Government SRV Guidelines require council to communicate the cumulative impact of the proposed rate increase over the years of implementation. Option 2a is proposed to be implemented over two years and 2b is proposed over one year, therefore their cumulative rates in the table are compounded over two years and one year, respectively. However, this doesn't allow for an accurate comparison with options 1 and 3, which span three years, as the rate peg increases will then apply after the SRV is implemented. If the assumed 3% rate peg is applied for years two and three, the comparison rate for option 2a is 93.31% and for option 2b is 85.66%.

What does each SRV option provide?

What does each SRV option provide?

	Option 1	Option 2 (a and b)	Option 3
Deliver current services and address core deficits	🟢	🟢	🟢
Deliver required systems replacement in Governance Strategy	🟢	🟢	🟢
Maintain infrastructure renewals (80% renewal rate in first two years and 100% thereafter)	🟢	🟢	🟢
Repay 70% of borrowings	🟢	🟢	🟢
Reduce infrastructure backlog[2]	🟢	🟢	🟢
Deliver expanded services and new and upgraded infrastructure identified in the Informing Strategies[3]	🔴	🟢	🟢
Improve building assets to a 'good' condition, with $15.5M per year from Year 4 to address backlogs	🔴	🔴	🟢

2 Critical infrastructure addressed in first two years, $15M per year (indexed) from 2027-28 to bring assets to a satisfactory condition

3 In May and June 2024, the Council launched an extensive community engagement initiative, 'North Sydney's Next Ten Years'. This initiative included discussion papers, expert panels, workshops, and information sessions. Over 1,000 surveys were completed, alongside significant feedback from in-person engagements. In parallel, independent consultants conducted research into key areas including open space and recreation, culture and creativity, social inclusion, integrated transport, and economic development. This research provided valuable insights that helped shape the priorities for North Sydney's future. The ten-year draft Informing Strategies are currently on exhibition until Friday 10 January and we welcome community feedback at yoursay.northsydney.nsw.gov.au

Projects identified within these strategies include the delivery of a community facility at Berrys Bay, upgrades to North Sydney Indoor Sports Centre, improved drainage infrastructure for sports fields, major upgrades to North Sydney Oval, upgraded amenities at Tunks Park, footpath improvements, cycling infrastructure, upgrade and expansion of Stanton Library, Cremorne Plaza and Langley Place upgrade, and other public domain upgrades in town centres.

What do the expanded services and new and upgraded infrastructure include?

This refers to expanded services and new and upgraded infrastructure identified in the eight draft informing strategies. These strategies are currently on exhibition until Friday 10 January, and we welcome community feedback at https://yoursay.northsydney.nsw.gov.au.

A list of all capital works projects identified within the informing strategies is also provided in the appendix at the end of the **Long-Term Financial Plan (LTFP)**.

Some of the key projects included in this list include the delivery of a community facility at Berrys Bay, upgrades to North Sydney Indoor Sports Centre, improved drainage infrastructure for sports fields, major upgrades to North Sydney Oval, upgraded amenities at Tunks Park, footpath improvements, cycling infrastructure, upgrade and expansion of Stanton Library, Cremorne Plaza and Langley Place upgrade, and other public domain upgrades in town centres.

What is a minimum rate?

A minimum rate is the minimum amount of a rate that can be levied on each parcel of land. Individual rates are calculated on the unimproved land value of a property. This can mean that the rates paid by individual houses on a block of land can be significantly more than for units on land of a similar value. Unit holders receive the same level of services from councils and often have comparable ability to pay rates as those in houses. For councils, like North Sydney, minimum rates help ensure a degree of equity between the rates paid by ratepayers in units and houses.

What are the proposed changes to minimum rates?

- North Sydney has one of the lowest minimum rates in metropolitan Sydney. Over 77% of residents currently pay the minimum rate and this does not support the level and variety of Council services currently offered to each household. To improve equity and ensure revenue keeps pace with growing unit developments, Council proposes increasing minimum rates in 2024-25 to:
- $1,300 for residential properties
- $1,400 for businesses

After 2024-25, minimum rates will increase by the approved rate path, which may either be one of the proposed SRV options or the rate peg.

Minimum rates:

All options include the rate peg	Current 2024-25	2025-26	2026-27	2027-28
Residential Rates				
Option 1: Financial repair (3 year SRV)	$715	$1,300	$1,365	$1,433
Option 2a: Strength and sustainability (2 year SRV)		$1,300	$1,625	$1,674
Option 2b: Strength and sustainability (1 year SRV)		$1,300	$1,339	$1,379
Option 3: Future growth (3 year SRV)		$1,300	$1,560	$1,716
Rate peg (base case)		*$744*	*$766*	*$789*
Business Rates				
Option 1: Financial repair (3 year SRV)	$715	$1,400	$1,470	$1,544
Option 2a: Strength and sustainability (2 year SRV)		$1,400	$1,750	$1,803
Option 2b: Strength and sustainability (1 year SRV)		$1,400	$1,442	$1,485
Option 3: Future growth (3 year SRV)		$1,400	$1,680	$1,848
Rate peg (base case)		*$744*	*$766*	*$789*

For comparison purposes, it is important to note that in addition to the minimum rate, residential rate payers pay an average of $129.34 in infrastructure, environmental and main street levies – calculated as a base amount plus an ad valorem component based on their land value.

These special levies will not be charged in addition to the minimum rate under the new SRV proposal. Instead it is proposed that this special levy income which is currently levied as a separate charge be rolled into the ordinary rate revenue.

If your property is subject to a minimum, this means that these levies will not be an additional charge in future.

What do the proposed SRV options mean for rates?

The rates you pay depends on the unimproved land value of your property. The average rates that would result from each of the SRV options are outlined below.

Council has also recently reviewed its rating structure and proposes the removal of the infrastructure, environmental and main street levies mentioned above which are currently paid separately to rates. The income from these levies would be incorporated into the ordinary rate charged. This would mean that total permissible rates income is raised entirely through ordinary rates, making the Council's rating structure simpler and more equitable. Residents are paying approximately 90% of all the levies, whereas they pay 60% of total ordinary rates and receive approximately 60% of the benefits from council services. These changes mean that residents would pay 60% of the total permissible income and businesses pay 40%. The averages below show this change, with the levies that are included in the average for 2024-25 and rolled into ordinary rates from 2025-26 onwards.

Proposed rates:

All options include the rate peg	Current 2024-25	2025-26	2026-27	2027-28
Residential Rates				
Option 1: Financial repair (3 year SRV)		$1,511	$1,586	$1,665
Option 2a: Strength and sustainability (2 year SRV)		$1,511	$1,888	$1,945
Option 2b: Strength and sustainability (1 year SRV)	$1,040[4]	$1,762	$1,815	$1,870
Option 3: Future growth (3 year SRV)		$1,611	$1,933	$2,127
Rate peg (base case)		*$1,048[5]*	*$1,080*	*$1,112*
Business Rates				
Option 1: Financial repair (3 year SRV)		$10,601	$11,131	$11,687
Option 2a: Strength and sustainability (2 year SRV)		$10,601	$13,251	$13,648
Option 2b: Strength and sustainability (1 year SRV)	$6,724[6]	$12,267	$12,739	$13,121
Option 3: Future growth (3 year SRV)		$11,307	$13,569	$14,926
Rate peg (base case)		*$7,396*	*$7,618*	*$7,847*

How can I find out more and have my say?

Council is committed to engaging with the community and is actively seeking feedback on the SRV proposal, updated Long Term Financial Plan, Delivery Program, Asset Management Strategy and Informing Strategies. Community consultation is open from Wednesday 27 November 2024 to Friday 10 January 2025 to align with the IPART application submission deadline. Please visit https://yoursay.northsydney.nsw.gov.au to learn more and have your say.

What are the next steps

Once the community consultation period concludes, Council will review the feedback received. A report will then go to Council for their consideration of the feedback. Council will decide whether to proceed with the SRV application. If Council decides to proceed, the application will be submitted to IPART in early 2025. IPART will conduct its own consultation, with public submissions likely to be sought, before they make their determination in May 2025. If the SRV application is successful, Council will then need to resolve to include the SRV in its rates from 1 July 2025. The new Community Strategic Plan, Delivery Program, Resourcing Strategy and Operational Plan will also come into effect from 1 July 2025.

I've heard Council recorded a surplus of $13M in 2023/24, so why do we need a Special Rate Variation (SRV)?

Within Local Government, financial performance is measured by way of the 'Net operating result for the year before grants and contributions provided for capital purposes.' For 2023/24, Council recorded a deficit of $3.6 million. The Office of Local Government measures Council's performance by excluding these capital revenues.

The reason capital grants and contributions are excluded from this measure is because these grants fund infrastructure and/or infrastructure reserves for new infrastructure. These funds cannot be used to fund operational costs.

The Office of Local Government benchmark for Operating Performance Ratio is 0%, why is North Sydney Council aiming for a higher ratio?

Operating performance is the measure of income coming in and expenses going out. Having an operating performance ratio of 0% assumes that no capital funding is required for outgoings such as loan repayments, new and upgraded infrastructure or to mitigate the inflationary nature of asset renewal costs.

Through the SRV proposal, Council has set its operating surplus at a level that will:

- Repay internal and external borrowings;
- Fund infrastructure renewals and reduce current infrastructure backlogs;
- Fund some upgraded and new infrastructure (Options 2 and 3)

Do other levels of government provide funding towards services and infrastructure provided by Council?

Council receives an annual financial assistance grant from the Australian Government of approximately $2.4 million, or approximately 1.78% of total operational income. This grant is used towards Councils operational costs.

In addition to the financial assistance grant, Council receives a range of smaller specific purpose grants for services such as family day care, recycling initiatives, etc. In total, $3.3 million was received in 2023/24 from these grants, or 2.49% of total operational income.

Council also seeks grant funding for capital projects (such as cycleways) when opportunities arise.

The main source of funding for the provision of local services and infrastructure is rate revenue, user charges and fees, and other income such as parking fines and rental income.

What is depreciation and why is it important to fund depreciation?

One of Council's primary responsibilities is the provision and management of infrastructure. This infrastructure must be maintained to provide service to the community.

The total value of infrastructure in North Sydney Local Government Area is $2.18 billion.

Depreciation is an expense recorded in Council's financial statements and allocates the cost of a long-term asset (such as a building, road and other infrastructure) over its useful life. This process ensures that the cost of the asset is spread out over multiple periods, reflecting its decreasing value.

Depreciation is incredibly important in ensuring intergenerational equity. If depreciation is funded, it ensures that each year, the community that enjoys the use of the infrastructure provided, pays towards its cost.

Where depreciation is ignored or not funded, infrastructure renewals are not able to be undertaken as they fall due, leading to failing infrastructure.

Council's forecast cashflow (based on no rate increase, as outlined onPages 12-13 in the Long-Term Financial Plan) shows an increase in cash of between $6M and $8M for the ten-year period. Why is Council saying that it has liquidity concerns?

Council is restricted in its use of cash and investments generated through developer contributions, domestic garbage charges and specific purpose grants.

By legislation, developer contributions can only be used for the infrastructure included within Council's Development Contributions Plan. This plan identifies $402 million in infrastructure projects to support a growing population, with developer contributions estimated to generate approximately $195 million towards these projects.

Council collects developer contributions each year and the funding reserve increases until projects can be delivered. This occurs when:

- the reserve has sufficient funding; and
- Council has sufficient funding from general revenue to meet approximately half the cost of the new infrastructure.

It is therefore important that Council builds ‘unrestricted cash and investment’ levels to meet this requirement.

Council projects its ‘unrestricted cash and investments’ to be critically low as at 30 June 2025 and unable to maintain current services without increased revenue, reduced expenditure or further borrowings. This means that it is also unable to provide required funding to realise projects within the Development Contribution Plan.

Why hasn’t Council provided a model that includes more loan funding to reduce the level of rate increase?

Council currently has $51 million in debt associated with the North Sydney Olympic Pool project. Further borrowings may be required within the 2024/25 financial year due to current liquidity levels.

If Council was to consider additional loan borrowings, the rate increased would be delayed, not avoided. A cumulative increase in rates to generate the required income level plus loan repayments would still be required and over time, this would result in higher average rates.

Delaying an increase in minimum rates would also reduce the additional income generated by new housing development within the next three years.

Council continues to face financial risks associated with income from user charges and fees. It is important that revenue levels are strengthened.

Consideration has been given to both comparative Council rates and capacity to pay analysis in proposing the options within the SRV proposal.

Has Council considered selling assets?

Council has considered selling assets, and as recently as October resolved to enter discussions regarding a possible land sale in Cremorne. Council’s improveme nt plan also includes consideration of land sales, and the Draft Governance Strategy includes a review of Council’s property and building assets.

In considering the sale of community property, the following considerations should be given:

- North Sydney’s population is growing and demand for new public places and spaces is growing with it.
- Assets/property can only be sold once. One of the largest challenges facing North Sydney is the cost of land which will only

increase over time. Council is unlikely to be in a financial position to buy land in the future as the community grows.

- Council's current commercial property portfolio is largely located on sites of strategic significance for the community, including the civic area in Miller Street.

Further, property sales provide a one-off revenue stream, and will not provide ongoing revenue to fund Council services and infrastructure renewals.

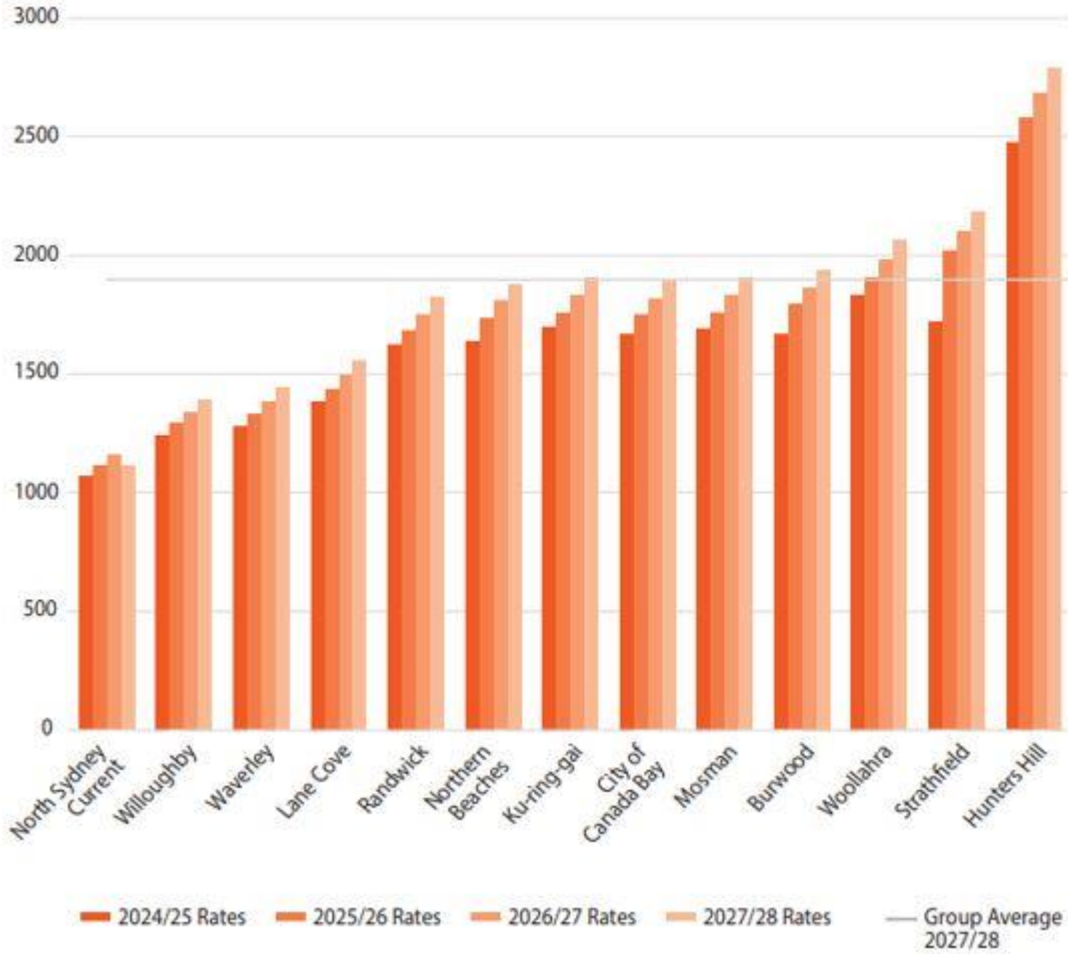
Is the proposed rate increase permanent?

The proposed rate increase is permanent. This means that total rates income council receives will not reduce back once the SRV implementation period concludes. After the SRV is implemented, total annual rates will increase by the standard rate peg, approved by IPART for that year.

A permanent rate increase is necessary to address the long-term needs for service delivery and infrastructure improvements.

While the rising costs of the North Sydney Olympic Pool project have accelerated the decline in Council's financial position, there is an underlying issue of current rate levels being insufficient to meet the expectations of the North Sydney community for service levels or infrastructure quality. Reliance on other revenue sources, such as on-street parking fees, fines, advertising, and commercial rental income, has proven unsustainable. Additionally, our aging infrastructure, valued at $2.8 billion, requires significant investment both now and in the future.

The chart below compares current and projected residential rates for North Sydney with those of other councils in the region and across Sydney, excluding the SRVs currently under consideration.



As the chart illustrates, a permanent rate increase is essential to bring North Sydney's rates to a sustainable level that is comparable to other councils, ensuring the ongoing provision of the services and infrastructure our community needs and expects.

What level of funding does Council receive from the NSW State Government for services and infrastructure?

Council continually seeks opportunities to apply for grants. Operational grants provide only 5%, or $6.5M, of our total operational income.

Conversely, Council is responsible for paying a number of levies to the NSW State Government, including parking space levies, planning levies and emergency services levies. In 2022/23, these levies cost Council $2.7M.

Operational grants are not all indexed in line with the rate peg or inflation and, for some, there is no increase year on year.

Operational funding source	2022/23 $,000	% of total operating revenue
State funding	3,859	2.95%

Commonwealth funding	2,091	1.60%
Other	585	0.45%

Over the past two years, Council has also received approximately $8.4M per year in NSW State Government grants for infrastructure projects. It's important to note that grants are often restricted to funding new assets, after which Council is responsible for ongoing maintenance and renewal costs.

To be most successful with grant applications, Council must invest in planning and design of new infrastructure to ensure shovel-ready projects for when grant programs are announced. Grants often require co-contributions from Council. Projects are rarely 100% funded by other levels of government.

The local government industry has actively lobbied for change to the nature and level of grant funding for some years.

Why has the North Sydney Olympic Pool project been delayed and increased in cost?

We acknowledge that the delays encountered in the North Sydney Olympic Pool redevelopment have been frustrating for everyone involved and understand the community is eager for the pool to reopen after a long closure.

We continue to work very hard to get the project completed as soon as possible, and remain committed to delivering this new community facility.

In April 2023, Council considered a report outlining a summary of the independent review that was commissioned to better understand the root cause of the challenges experienced during the project. This report is available here:

https://www.northsydney.nsw.gov.au/ecm/download/document-10421217(External link)

Have other cost cut-cutting measures have been put into place or have been considered?

Over the past two years, Council has embarked on a considerable review and organisational improvement path with a view to increasing overall efficiency and reducing costs.

Council is working through a program of process and service reviews aimed at identifying opportunities to change the way services are delivered. In some instances, this may include reductions in service levels, however this will involve further consultation with the community.

History has demonstrated that, when Council makes a quick and reactive decision to cut back services to reduce cost, these decisions have been reversed once the impact is felt by the community. Overall, while well intended and with cost reduction in mind, changes that do not take a considered approach often result in additional time and cost. All decisions must be balanced.

To improve operational efficiency, Council is also considering the opportunity to implement better systems and technology.

Why is Council looking at increasing services at this time when the council is claiming to need more funds?

A strong local government is one that plans for the future and adapts to changing community needs.

As individuals, when visiting a financial planner, we first consider what we would like our future to look like – what challenges and opportunities will we face and what are our priorities and goals? From there, we work through the resources required to achieve these goals and then develop the financial strategy to help us realise these aspirations. That is what we have been working towards in consultation with the community for the past year.

In May and June this year, Council undertook the ‘Have Your Say on Our Next Ten Years’ engagement to identify the priorities and projects the community wanted Council to focus on over the next ten years. Based on the community’s feedback, we have developed and costed the priorities. These are outlined in the draft Informing Strategies, which are currently on exhibition as well. In making an informed contribution to the consultation process, it is important that you read the draft Informing trategies to understand the reason for the various initiatives, projects, plans and infrastructure included.

When we realise the cost of our aspirations, we find ourselves at a decision point. Can we generate sufficient funds to realise these aspirations, or do we have to make some adjustments to our expectations?

Through the SRV process, we are consulting the community as to whether the priorities developed through our engagement are important when considering the cost.Special Rate Variation options 2 and 3 include funding required to deliver the expanded services, initiatives, plans, and new and upgraded infrastructure identified through the Next Ten Years engagement.

It should be emphasised that many of these initiatives and projects are in response to current challenges faced by the community such as lack of open space and recreation.

Unlike private sector businesses, services and infrastructure provided through local government must cater for a large and diverse range of community needs and desired outcomes. The infrastructure and services we provide must support quality of life and a sense of belonging among a whole community, not any one individual alone. This public value consideration requires everyone in a community to consider those around them, and future generations.

Why is there not a ‘No rate rise’ Option?

To express your objection to the proposed rate rise or advocate for no increase, you can include this feedback in the extended response section of the survey questions regarding the Long-Term Financial Plan and Special Rate Variation options. All responses, including objections, will be carefully noted and outlined in the report presented to Council.

The survey asks for feedback on your preferred option, and this question has been altered to ensure it is not mandatory if you would prefer not to choose any option.

In expressing your objection to a rate rise, you are encouraged to provide feedback as to what specific services or infrastructure you feel could be reduced, and any other suggestions you feel would benefit the community.

The Long-Term Financial Plan outlines the ten-year financial forecast for Council excluding a rate rise. This demonstrates that Council services would be unsustainable, and infrastructure would not be renewed.

Land sales and borrowings are short-term financial cashflow measures that may be considered within financial strategy, however neither consideration will correct the ongoing revenue needs. Loan funding requires repayment, and selling land without considering the future needs of the community may result in higher infrastructure costs in the future, in addition to reduced rental income.

How are Council rates calculated?

Council rates are calculated from the unimproved land value of a property, this is the value of the land alone - it does not include any dwellings, or other structures or improvements. The NSW Valuer General undertakes regular revaluations of land values across the state at least every three years, these changes may affect the amount of rates an individual property might be required to pay. Land revaluations don't impact the total amount of rates revenue that the Council can levy, the Council is only allowed to increase total rates revenue (sometimes referred to as permissible income) by the published rate peg or by an IPART-approved Special Rate Variation (SRV). Based on Council's current number and value of properties, the table below provides an indication of what the ad-valorems may be under each of the SRV options. The ad-valorems are indicative only, as they will change as properties' land values are reviewed.

Option	2025/26	2026/27	2027/28
Option 1 – Financial repair (65.38% cumulative over 3 years)	**50%**	**5%**	**5%**
Residential			
Ad- valorem (cents of rates paid per dollar of property value)	0.0849	0.0891	0.0936
Minimum rate	$1,300	$1,365	$1,433
Business			
Ad- valorem (cents of rates paid per dollar of property value)	0.7118	0.7474	0.7847
Minimum rate	$1,400	$1,470	$1,544

Option	2025/26	2026/27	2027/28
Option 2a – Strength and sustainability (87.50% cumulative over 2 years)	50%	25%	rate peg (3.0% assumed)
Residential			
Ad-valorem (cents of rates paid per dollar of property value)	0.0849	0.1061	0.1093
Minimum Rate	$1,300	$1,625	$1,674
Business			
Ad- valorem (cents of rates paid per dollar of property value)	0.7118	0.8897	0.9164
Minimum rate	$1,400	$1,750	$1,803
Option 2b – Strength and sustainability (75.00% cumulative over 1 years)	75%	rate peg (3.0% assumed)	rate peg (3.0% assumed)
Residential			
Ad-valorem (cents of rates paid per dollar of property value)	0.1283	0.1321	0.1361
Minimum Rate	$1,300	$1,339	$1,379
Business			
Ad- valorem (cents of rates paid per dollar of property value)	0.8364	0.8615	0.8874
Minimum rate	$1,400	$1,442	$1,485
Option 3 – Future Growth (111.20% cumulative over 3 years)	60%	20%	10%
Residential			
Ad-valorem (cents of rates paid per dollar of property value)	0.1030	0.1236	0.1359
Minimum Rate	$1,300	$1,560	$1,716
Business			
Ad- valorem (cents of rates paid per dollar of property value)	0.7617	0.9141	1.0055
Minimum rate	$1,400	$1,680	$1,848

Has the council evaluated alternate sources of revenue or alternative courses of action for execution of asset renewal to enable an economy of effort and reduce the cost on rate payers?

Council has considered and included other sources of revenue in developing the SRV proposals. This includes developer contribution, and the possibility of securing grant income for infrastructure upgrades. However, these income sources rarely provide for basic renewal of infrastructure and generally focus on new or upgraded infrastructure.

For example, North Sydney Oval needs considerable renewal work to keep the facility at a standard that is functional and acceptable to the community. Key users and stakeholders have also advocated for some time for upgrades including improvements to the change facilities, food and beverage facilities, and media functionality. Within the SRV proposal, the combined renewal and upgrade cost is estimated at $32M. Of the $32M, an expected $16M (50%) will be achieved through grant funding. Of course, if grant funding is not secured, upgrades would not proceed.

The proposed increase to rate will not fund all future infrastructure requirements within the Local Government Area. Other projects which will be dependent upon other sources of revenue include bicycle paths, Miller Place, North Sydney CBD laneways project, Hume Street Park open space expansion, walking infrastructure improvements, Holterman Street car-parking/open space project.

The organisational improvement plan and its proposed savings are inconsistent with the long term financial plan. How does the council intend to reduce operational expenditure?

In the Organisational Improvement Plan we have identified savings and productivity initiatives that have been implemented in the last two years or are currently being considered for implementation. To demonstrate the impact of the expected efficiency gained through these initiatives, the Long-Term Financial Plan assumes there will be no additional corporate administration costs for increased services (including the North Sydney Olympic Pool) and increased capital works programs. The plan assumes improved governance and administration measures will lead to efficiency gains that absorb these costs.

Are the funds currently collected for Environmental and Infrastructure levies currently restricted to use only for those things? Will this therefore change?

Current and planned expenditure on both environmental initiatives and infrastructure is higher than the value of the current levies as ordinary rating income is also used for these purposes.

Environmental and infrastructure levies currently make up only 9% of total rates revenue. This revenue has been collected in the form of levies to ensure ratepayers are aware of where their past special rating increases are being spent.

Council is aiming to improve on this commitment to transparency. Our objective is that, with improved systems, planning and reporting, you will know where all funding is spent, not just the 9%.

Is the Environmental Levy Base Charge included in the consolidation?

Under the proposal, all levies (excluding the domestic waste charge) would be included in ordinary rates

Is the Infrastructure Base included in the consolidation?

Under the proposal, all levies (excluding the domestic waste charge) would be included in ordinary rates.

Why have council assets been reclassified to replace items which are category 4 as well as 5?

Historically, Council has reported a 'cost to bring to satisfactory condition' that assumed those assets in 'poor' condition (category 4) were acceptable by the community. It is our recommendation that assets in poor condition should be brought to a satisfactory condition, and therefore we have included these in our backlog estimates.

The Local Government Code of Accounting Practice outlines the requirements for both our financial statements and the special schedules. Under this Code, where Councils haven't developed an 'agreed' level of service, a standard of 'good' (category 2) should be used for the 'Estimated cost to bring to satisfactory condition'. This would mean including within our backlog figures category 3, 4 and 5, and would increase the overall backlog to $560M.

North Sydney Council has not undertaken the exercise with the community to determine the 'agreed level of service'. However, we did not think it was reasonable to inflate the backlog to this extent. Instead, we opted to use the standard of 'satisfactory/fair' (category 3) as the condition to aspire to, rather than 'good' (category 2).

Accounting codes aside, the most important question for the community is 'at what condition o you believe infrastructure should be maintained in North Sydney'?

At a recent demographically selected workshop (involving a group of residents representative of the demographics of the North Sydney local government area), feedback suggested that infrastructure in a 'poor' or 'very poor' condition would not be acceptable to the community.

Based on our review, we recommend that all infrastructure currently classified as 'poor' or 'very poor' is addressed through the SRV. In addition, option 3 provides for funding to start bringing building assets up to a 'good' condition from year 4.

Council staff have begun a significant review and improvement of Council practices over the past two years to ensure decision-making by Council at the elected level is effective and best serves the community. As part of ongoing improvement in future years, we will work with the community to determine an 'agreed level'. Based on current feedback, it is unlikely this will reduce the backlog and may increase it.

Why are salaries and wages increasing by such a large percentage next financial year?

The unusual increase between the current financial year and 2025/26 is largely due to salaries and wages for the North Sydney Olympic Pool, with an additional $3M included to fund operation of the facility. Additional user charges and fees income is also included within the forward estimates to account for the operationalisation of the pool.

Outside of this, all salaries and wages are subject to increase due to Industry Award provisions, progression of staff through salary systems and market conditions.

Average wages in local government are not high compared with other levels of government and some industries in which we operate. Attracting and retaining staff is increasingly difficult for all businesses, with recent surveys indicating over 70% of businesses identify skills shortages as one of their greatest challenges. These market forces can result in salaries and wages costs rising at a rate higher than the rate peg.

Unlike other local government areas, very few staff working for Council live within the local government area in large part due to housing affordability and wage levels. To ensure quality services, it is important that Council salaries are competitive compared with other councils for this reason.

Outside the pool, the increase in overall workforce numbers will be minor due to expected efficiencies.

Have The elected Councillors already decided to introduce a Special Rate Variation?

No. At their ordinary meeting on 25 November 2024, Council resolved to place the Special Rate Variation proposal on public exhibition to seek community feedback.

Councillors and administrators must ensure that they comply with their duty under section 439 of the *Local Government Act* to act honestly and exercise a reasonable degree of care and diligence by properly examining and considering all the information provided to them relating to matters they are required to make a decision on.

For the purposes of the Special Rate Variation proposal, Council staff will provide Councillors with a report outlining community feedback to the consultation, and our response to this feedback. Councillors will need to consider this report before forming a position.

It is possible that during the consultation period, alternative strategies are put forward by the community that on assessment, may be considered as part of the final recommendation made by Council staff. Such alternatives would have to meet the principles of sound financial management as set out in Council's responsibilities under legislation.