



# Community Engagement Key Themes and Responses

This document provides the key themes that were identified in the proposed special rate variation and increase to minimum rates community engagement undertaken between 27 November 2024 and 10 January 2025.

Each theme has a response provided and a key that links it to each response in the attachment containing all submissions.

## **A** Concerns about Council's financial mismanagement regarding the North Sydney Pool project

The community's concerns regarding the escalation in time and cost associated with the North Sydney Olympic Pool project are valid.

These concerns were shared by Mayor Zoë Baker and Councillors during the 2021-2024 Council term, with the Mayor calling for an independent review into the project. This Mayoral Minute followed advice to Councillors, that cost escalation claims had been submitted on the project due to timing differences between building contract commitments and design completion.

The Independent Review made several findings including:

1. The decision to increase the Project Scope from Option 2 to Option 2 b was driven by Councillors' desire for a superior facility which did not fully align with the feedback from community. No additional community consultation was undertaken, instead consultation through the statutory DA exhibition was deemed satisfactory by the Council.
2. The construction contract negotiation and signing were expedited, creating issues for the project as design documentation was incomplete, and site investigations were ongoing.
3. That cost had been a primary driver of a number of decisions for the purposes of controlling the budget. Despite the intention to control the budget, these decisions created significant financial risks to the project which have been realised through a compounding effect throughout the project's life. These decisions included:
  - Removing external project managers and managing the project internally;
  - The decision to have separate design and construct contracts; and
  - Considerable reduction in the project contingency as the scope increased.

Novation agreements to reduce the risks associated with assuming responsibility for performance management and coordination of two separate but inter-reliant contracts. Such agreements often result in increased cost of contract but significantly reduce the financial risks associated with managing separate contracts.



The external environment at the time of contract execution was one experiencing an unprecedented pandemic and a multi-year La Nina weather event. These external factors were not factored into contingency planning nor was the risk shared through contract negotiations.

4. The business case submissions over the life of the project do not include all financial and non-financial data, including:
  - a. The cost of the project did not include costs associated with fit outs, equipment, program development, technology and other expenses associated with the commissioning and opening of a swimming pool and gymnasium.
  - b. Sufficient budgets were not included for project management and consultants to manage a project of this size and scale. Provision was not included for key consultants such as programmers and quantity surveyors to support project control.
  - c. Responsibility for contract insurance was taken by Council with no budget.
  
5. Late identification of latent conditions on site led to rework, additional scope and cost to the project, as access to the site for survey and testing was limited until the pool was closed.

It should be noted that there have been two changes in elected Council since the initiation of the North Sydney Olympic Pool project, with the most recent election occurring in September 2024.

In response to the review, to improve management and control of the project, external project managers have been engaged and are being supported by programming professionals and quantity surveyors, in addition to council staff. Unfortunately, risks accepted at project inception cannot be mitigated in full and are being managed with every effort of the project team.

Council has commenced legal proceedings in relation to contractual breach of contract in relation to design services for the North Sydney Olympic Pool redevelopment. Council also remains in dispute in relation to structural steel defect relating to the 25-metre pool.

In response to the North Sydney Olympic Pool project, and to improve future decision making in relation to infrastructure projects, among other improvements, a Draft Governance Strategy has been developed. This strategy aims to ensure improved governance and administration of the Council, and includes improvements to risk management, procurement, project management, asset management and reporting, along with a peer review of all projects exceeding 10% of annual ordinary rate revenue.



## **B** Concerns over general financial mismanagement and calls for greater accountability and transparency in how funds are managed and spent

Accountability and transparency have been included as key principles of the Draft Governance Strategy. In relation to fiscal management, the following improvements have been or are being made to improve administration and rebuild community confidence:

- As part of the organisational restructure in 2024, a Chief Financial Officer was appointed to Council to enhance financial management, advice, process and reporting;
- In April 2024, Council developed a new Charter for the Independent Audit and Risk Committee to provide independent oversight of Council's operations. Three skills based independent members were appointed in May 2024 and meet quarterly.
- Council has undertaken a full review and redevelopment of its Integrated Planning and Reporting Framework, with a view to ensuring commitments made each term of Council are aligned with resources.
- A review of Council's financial systems are currently being undertaken with a view to improving financial reporting, which in turn will assist community in better understanding fund allocation and the cost of service delivery.
- Financial processes are being reviewed and mapped with a view to automation to ensure timeliness of reporting.
- Delegations (instrument for decision-making) are being reviewed and redeveloped to ensure decisions are being made at the right level of accountability within the organisation.
- Asset Management Plans have been reviewed and redeveloped, with continuous improvement including further consultation with the community in relation to service expectations.
- A new service review framework is being piloted to review services to ensure they are aligned with community expectations and are being delivered in the most effective manner.
- A draft Governance Strategy has been developed for adoption by the elected Council as a commitment towards improved governance and decision-making.

In addition, Council will continue to publish detailed financial reports, including annual budgets, quarterly financial updates, and the audited Annual Report, which are all publicly available on our website.



## C Concerns about cost of living and affordability of rate increases

Council acknowledges the challenges associated with increased costs of living.

Council will review its Hardship Policy and procedures to ensure that those needing assistance can be supported where the proposed rate increase creates unmanageable financial pressure.

In their assessment of special rates variations, IPART requires an assessment of the community's capacity and willingness to pay. This assessment has been undertaken independently and is attached to the Council report.

## D Consider selling assets including North Sydney Olympic Pool

The community feedback clearly demonstrated the differing values and priorities of the community.

For some in our community, short term financial inflows are of more value than the opportunities provided through an investment portfolio. Equally, others feel that it is important that Council retain this property in public hands, and are concerned that once property is sold, Council will not be in a position to build back its portfolio or purchase land for public use due to the high prices within the North Sydney LGA.

As at 30 June 2024, Council's audited Financial Statements under Note C1-6 Owned Investment Property provide a total valuation of \$53.698 million for Council's portfolio.

The average gross return of income against its value is currently estimated at 6.9% across the portfolio. All other Council investments – Term deposits, bond, FRN's, cash return a lower rate. Council currently holds approximately \$51M in loan funding with rates varying between 4.02% and 5.29%. Indicative loan rates as at December 2024 were 5.70%.

**Strategic consideration** - Selling publicly owned land now would result in an opportunity cost related to the provision of infrastructure and public domain improvements in the future. Approximately 57% of properties currently held by Council are located on sites that allow for future master planning and delivery of new public places and spaces, providing opportunities to respond to the needs of future generations.

**Financial consideration** - Selling publicly owned land now, will benefit this generation in the short term. Land sales result in a one-off cash inflow. The result of selling land would mean that the percentage rate increase would be minimised in the short term. In the longer term, the sale of publicly owned land would reduce investment income and future capital gains, which is likely to create a longer-term loss.

**Timing considerations** - Following the COVID pandemic, Council has experienced an overall reduction in portfolio value and rental incomes. In general, it is unadvisable to sell investments during a period of reduced value, unless the value of the investment is expected to continue to lose value or unless a loss would be beneficial for taxation purposes. Investment losses are only realised once an asset is sold. Council does not pay tax like an individual or private business, there is no tax benefit.



Economic conditions, such as interest rates and inflation significantly influence property prices and rental returns. As these conditions change, the property market is likely to improve from the current position.

**Other Council assets** – By nature of being Local Government owned, much of Council’s land is classified community land, restricted its usage and prohibiting it from being sold under Section 45 of the 1993 Local Government Act.

In response to calls for the North Sydney Olympic Pool to be sold, this facility is located on land zoned RE1 Public Recreation. This limits the usage to public open space or recreational, this would limit the value if it was to be sold. While some submitters called for the NSOP to be sold, others have indicated it is a valued community facility.

Car parks are another asset held by Council that facilitate integrated transport and economic development. Currently off street car parks return revenue in excess of \$7 million a year to Council. Many are located on strategically significant sites for future public open space and or public facilities.

Included within the Draft Governance Strategy is an action to further review Council’s commercial property portfolio and determine a strategy and policy position in relation to property holdings. This would include criterion in relation to what circumstances Council would consider both increasing and/or decreasing investment property portfolio.

Council’s organisational improvement plan targets one-off revenue of \$5M through property sales to strengthen Council’s financial position. This is subject to market conditions and Council decision once opportunities have been identified.

## **E** Suggestions that North Sydney residents should receive free or discounted access once the North Sydney Olympic Pool is completed due to the impacts on rates

All fees and charges are subject to public exhibition prior to adoption. Any calls for discounted or free access to North Sydney Olympic Pool will be considered as part of the fees and charges process.

## **F** Calls for Council to cut non-essential spending and reduce staff to avoid rate increases

### Improvement efforts

There have been a number of submitters calling for reduced expenditure, including workforce reductions and general cost reduction.



Council has undergone significant change and improvement over a short period of time. This includes the introduction of an organisational performance function at no additional cost to ratepayers following the redirection of funds as part of an organisational restructure. This function has been created to review Council processes, services and planning to ensure that Council spending is effective.

The current Executive Leadership Team is committed to continued organisational review and improvement. Initiatives introduced over the past two years have included:

- Organisational restructure - focus on senior staff and management levels. In 2023, the senior staffing structure (tier 1 and 2) was reduced from a seven (7) to four (4). Further streamlining has also occurred at Tier three level management. In comparison to other Councils, this leadership structure is lean based upon the number of discreet services provided.
- New executive Leadership Team appointed with a new Charter.
- Chief Financial Officer Position created and appointed (at no additional cost to ratepayers following the redirection of funds as part of an organisational restructure)
- Community consultation and research undertaken to develop clear direction for the future.
- Strategy development and integration.
- Introduced process improvement framework and commenced process mapping to identify areas for improvement.
- Introduced service review framework to identify improvement and/or changes to service levels.
- Introduced performance and development framework to align workforce efforts towards organisational improvement goals.
- Systems review, and recommended replacement.

Each of these initiatives has either contributed savings or reduced financial risks and will continue to evolve and advance North Sydney's performance over the coming years.

An estimate of approximately \$2M in overhead savings has been incorporated into the Long-Term Financial Plan, with overheads associated with the North Sydney Olympic Pool being absorbed within current resources.

In addition, Council has developed an Organisational Improvement Plan to explore other areas for financial improvement, including through increased advertising, sponsorships and commercial partnerships and fleet review.

Salaries and wages are determined through both the Local Government (State) Award, and through market forces. The quality and culture of an organisation's workforce is the most contributing factor towards organisational performance. Reductions in workforce numbers will result in reduced services where they are not undertaken through organisational improvement efforts such as improved systems, processes and/or learning and development.

#### General Cost reduction

Since 2020, we have been operating in a high inflationary environment, which has seen our costs increase significantly above the rate peg (the maximum increase we can impose without a Special



Rate Variation application). In 2021/2022, inflation was approximately 6.6% and Council's rate peg was 2%. This impact is multiplied across several years where costs have increased more than the rate peg.

In addition to costs increasing faster than rates revenue, Council has seen a decline in fees and charges income (for example parking revenue) since the pandemic. This equates to approximately \$9.9m of inflation adjusted lost revenue.

Council's procurement policy and processes aim to ensure all goods and services are procured at the best possible price. This includes through joint contracts with other Councils, and via competitive processes. This has assisted Council in managing the inflationary pressures of inputs such as electricity costs, insurance and some contracted services.

Despite this, given Council's current financial position, Council's procurement function will be reviewed as part of the organisational improvement plan to consider any opportunities for further improvement.

#### Service reductions or cuts

Several submitters suggested Council should cut services and return to core-services such as roads and parks maintenance.

Outside a suggestion to return to core-services and reduce 'socially driven initiatives', the majority of suggestions for service reduction have been waste related services which are not funded by ordinary rates and therefore would not impact the recommended rate increase. However, these suggestions should be reviewed as Council develops its long-term waste management plan ahead of Food Organics and Garden Organics (FOGO) introduction.

Other suggestions included street cleaning, arts, Bushcare, urban design, events, garden and kerbside greenery and funding for community facilities.

Council currently provides a high level of service to the community and our engagement and community satisfaction surveys show this is appreciated by the community.

Approximately 4% of Council's budget is spent on events, community engagement and customer service, while approximately 6% is spent on community and library services. 5% is spent on environmental protection.

The majority of Council's budget is spent on renewing/upgrading local infrastructure, managing waste and cleaning within public places, roads and transport, buildings maintenance and operation, parks, sports fields and streetscapes, and planning, development and compliance.

Reducing service levels in planning, development and compliance will increase complaints. Development application times are under Ministerial Improvement Order. Increased development and density create high levels of complaints from neighbours and others in the community. Reducing resources would increase environmental impacts on the community and subsequently complaints.

Reducing waste and cleaning services, (excluding domestic waste services which are funded from domestic waste charge) or parks maintenance would result in a general reduction in public presentation. For some assets such as parks, when they are not maintained well for a period, they



require more work to bring them to standard at a future time. Reducing sports field services and maintenance is likely to reduce playing field times due to reduced condition.

Changes to services can be made through cutting service levels, such as reducing the number of times a park is mowed per year or reducing library opening hours, however given the breadth of services provided, small changes are likely to result in immaterial savings, and a much more significant reduction would be required.

The catalogue of services provided by Council includes over 48 service groups and 140 distinct services. Decisions in regard to what services are provided to the community have been developed over time in response to community needs and council decisions.

It is best practice for changes to service levels to be undertaken with full community consultation through the service review framework. This will be done over the coming years in a service-by-service format.

If Council wished to cut services without due consultation, these services would have to be nominated and costed for consideration. In the absence of community consultation, elected councillors, as representatives of the community would have to nominate specific services to be considered for reduction or removal. No nominations for service cuts have been made by the elected councillors throughout the SRV process.

There are risks associated with making decisions about individual services through a financial savings lens without taking a balanced approach, as experienced when Council attempted to remove a verge mowing service following the Global Financial Crisis. This decision was subsequently reversed in a short period of time following community backlash.

The service reduction/cut feedback from the community will be taken into consideration when further developing Council's service review schedule.

Within 2024/25 we are reviewing Street Sweeping, the North Sydney Oval and Development Assessments.

As per our Organisational Improvement Plan we are planning to review the following sections in the 2025/26 financial year: Legal Services, Procurement and Tree Management.

## **G** Suggestions that the unsustainable financial situation was not revealed before the 2024 Council election

Council's financial position has been the subject of numerous reports, particularly in recent years as the North Sydney Olympic Pool project costs have increased.

This includes (but is not limited to) the following reports:

- The 2023/24 budget report presented to Council in June 2023 stated that 'The budget, as planned, demonstrates Council has capacity to fund its projects and services in the short





term. The ongoing and potentially permanent impact of Covid on revenues means Council will need to strategically consider its revenue sources’.

- In the Quarter 1 budget review of 2023/24 presented to Council in November 2023, it was stated that ‘While Council’s current financial position is considered sound, reductions in Council’s revenue base are placing pressure on this and will require consideration in the coming years’.
- In the Quarter 2 budget review of 2023/24 presented to Council in February 2024, it was stated that ‘While the financial position is adequate in the short-term, the forecast deficit, ongoing deterioration in income sources and the need to service additional debt for the North Sydney Olympic Pool project require close strategic attention’.
- In the Draft Operational Plan and Budget 2024/25 report presented to Council in April 2024 it was stated that ‘Council has sufficient funds to be able to operate into the future, but repeated deficits are not sustainable. Council’s financial goal is to fund existing service levels and infrastructure renewals whilst maintaining an operating surplus before capital grants and contributions. Council cannot maintain financial viability, fund the North Sydney Olympic Pool project, and manage its assets to an acceptable service level if similar operating results persist into future years. The budget must be carefully monitored and reviewed, and Council must consider long-term strategies for financial repair. In the short term, strong financial management and budget management and control are critical’.
- In the quarter 3 budget review of 2023/24 presented to Council in May 2024, it was stated that ‘Compared to the original budget, several previously reliable income sources have significantly decreased with no indication of recovery. Whilst Council has sufficient funds to operate into the future, repeated deficits of the forecast magnitude are not sustainable. Council cannot maintain financial viability, fund the pool project, and manage its other assets to an acceptable service level if similar operating results persist into future years. The budget must be carefully monitored and reviewed, and Council must consider long-term strategies for financial repair’.

In addition, the Council’s Chief Executive Officer delivered a presentation to the Combined Precinct Committee and to approximately 43 residents at the Wollstonecraft Precinct in April 2024, following budget preparations. This presentation outlined the financial challenges and position of Council.

## **H** Calls for increased debt including use of ‘low-interest’ State Government loans

TCorp is the financial services partner to the NSW public sector and is a wholly owned entity of the state of NSW and part of the NSW Treasury cluster. Council has and continues to utilise TCorp for



loan purposes. Within the current market, some major banks offer interest rates competitive with TCorp rates.

The NSW Government has introduced a Low-Cost Loans (LCLI) to support local councils that borrow funds for infrastructure that enables new housing supply. New infrastructure projects contained within the special rate variation proposal would not meet the criteria for this loan incentive scheme. However, this scheme may apply to future infrastructure projects within the LGA once masterplanning has been complete.

In response to the immediate liquidity position of Council, Council proposes to seek an additional \$10 million loan funding in the quarter 4 of the 2024/25 financial year. This funding will be attributable to the North Sydney Olympic Pool, bringing total loan funding for the project to \$61 million.

Council loans are presented to Council monthly in the Investment and Loan Borrowings Report. At the time the loans are entered into, they are above the Reserve Bank of Australia (RBA) cash rate and are higher than the amount of interest we receive in bank deposits. If Council was to borrow large amounts of money, the cumulative impact of the interest payments over 10 to 20 years would represent a poor financial outcome for our community and would restrict future services and asset renewal.

Without a special rate variation, it is unlikely Council would be able to borrow significantly more as our Long-Term Financial Plan does not show sustainable finances.

The Long-Term Financial Plan recommending a special rate variation has taken a long-term strategic approach to setting of revenue levels to ensure a strong and sustainable local government for North Sydney. It does not provide funding for all future opportunities and needs. The plan aims to generate sufficient funds over the next ten years to:

**Repair council's current financial deficits** – financial deficits should not be funded from loans.

**Rebuild council's unrestricted reserves** – loans should not be used for this purpose.

**Infrastructure renewals** – renewals should be funded through annual revenue and are reflective of the use and enjoyment of infrastructure by the current community.

**Infrastructure backlog** – a backlog is reflective of use and enjoyment of infrastructure by the current and past community, without provision of adequate reserves/renewals to maintain at satisfactory level.

**Strategic actions (operational costs)** – operating costs should not be funded from loan funding.

**Strategic actions – upgrade/new infrastructure** – loans could be used to fast-track new infrastructure projects, however when considering loans, additional costs associated with interest must be factored into revenue strategies. Where the new infrastructure does not generate revenue to cover the interest cost, rate income would be required. The infrastructure included within Council's Informing Strategies is community infrastructure for public use and is not income generating.



For example, a \$20 million loan over 20 years (maximum term under TCorp loan), would require \$16.824M in repayment over the first ten-year period. This would provide net cashflow for the period of \$3.176M for the ten-year period or \$317K per year.

In addition, it would leave \$16.824M in loan repayments to the next generation (the 2035/36 - 2044/45 period). Over the twenty-year period, an additional \$13.648M in rating revenue would be required to fund interest.

## **I** Questions as to whether Council could seek additional financial assistance for the North Sydney Olympic Pool from state or federal governments, given the pool's significance

Council will continue to seek and apply for grants where they are available. To date, Council has received \$15 million in grants funding for the North Sydney Olympic Pool, including \$10 million in Federal Government funding, and \$5 million in NSW State Government funding.

Given the low likelihood or certainty of receiving grants for the project, no additional grant funding has been included within the Long-Term Financial Plan.

## **J** Calls for private schools and religious organisations pay rates

North Sydney is one of the densest education precincts in the country, with 21 primary and secondary schools and two universities within the 10.5km<sup>2</sup> boundary.

The NSW Local Government Act (1993) provides exemptions for land used for charitable, religious, or educational purposes. Section 555 of the Act outlines various categories of land exempt from rates, including land used for educational purposes by schools, colleges, or universities. Under the Act, Council is unable to charge rates to schools or universities.

At the Council meeting of 9 December 2024, Mayoral Minute MM01: Invitation to non-rateable educational institutions to voluntarily pay rates, and preparation of a policy to guide and regulate intensive "operational"/timetabled use of Council parks by private schools recommended that Council invite private schools and the Australian Catholic University to voluntarily pay rates (or an equivalent in-kind contribution) on their property holdings within the North Sydney local government area to contribute to maintenance of Council assets including roads, footpaths, and open space.

Under the Local Government Act Council has no authority to enforce schools or religious organisations to pay rates.



## **K** Business rates – some felt that the rates were too high, and others felt business rates should be increased further to subsidise residential

Business rates can be difficult to compare between Local Government Areas due to the mix in relation to property size which in turn affects averages. North Sydney has a greater portion of businesses subject to Ad valorem rather than minimum which suggests many large business properties are held by property groups and rented rather than through individual stratum ownership.

Amongst the submissions, a number of business landlords expressed concern in relation to the level of rate increases, while other submitters called for business rates to be increased further to subsidise residential rates, noting that business rates are tax deductible.

As with residential households, Council appreciates the challenging operating conditions for businesses. In their assessment of special rates variations, IPART requires an assessment of the community's capacity and willingness to pay. This assessment has been undertaken independently and is attached to the Council report.

In future years, Council may consider reviewing its business rating structure and developing subcategories, however this has not been recommended for the 2025/26 year due to the continuing pressures in the commercial property market and ongoing construction creating a challenging environment as indicated by several submitters.

## **L** Concern about not being presented with a 'no SRV' or no smaller SRV options

The Long Term Financial Plan in the report to the 25 November 2024 Council Meeting presented Council's finances in detail over the next 10 years.

This included a base case forecast without a special rate variation. This demonstrated that Council's finances are not sustainable without a special rate variation.

In developing the options presented as part of the consultation, Council's costs were forecast over 10-years based on a number of assumptions as outlined in the Long Term Financial Plan. This informed the value of the special rate variation options that were presented to the community.



## **M** Calls for Council to seek more financial assistance from other levels of government

Council has considered and included other sources of revenue in developing the special rate variation proposals. This includes developer contributions, and the possibility of securing grant income for infrastructure upgrades. However, these income sources rarely provide for general operations or 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 safe and functional for the community. Key users and stakeholders have also advocated for some time for upgrades including improvements to the changing room 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 rates 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.

To fund the informing strategies Council has forecast receipt of \$33.6 million of developer contributions and \$60.3 million of grants.

## **N** Feedback and questions in relation to the standard levels of asset conditions and calls for the deferral or elimination of asset projects

Infrastructure provision and management is a core responsibility of Council and supports service delivery.

As at 30 June 2024 the cost to bring Council's assets to a 'satisfactory' standard was \$146.8 million. A 'satisfactory' level of service refers to infrastructure that continues to function but requires maintenance to sustain its operational capacity. If maintenance is insufficient, infrastructure in this category will deteriorate further, leading to service disruptions and potential public safety risks. Additional reactive maintenance costs place further pressure on Council operating budgets, increasing the overall lifecycle cost of the asset.

Council's financial performance over recent years, and the deferral of capital works to fund the North Sydney Olympic Pool project has placed additional pressure on infrastructure renewal backlogs which cannot be addressed through existing levels of revenue.

If Council were to renew all assets to a 'good' standard, which is a level of service defined as infrastructure that operates effectively with only minor maintenance required, it in many ways would be preferable (and is recommended by the Local Government Code of Accounting Practice). The cost



of this however was \$560.5 million on 30 June 2024. In recognition of this high cost, Council has proposed a 'satisfactory' standard for infrastructure as the appropriate option.

The community relies on and expects new or upgraded assets, and this increases the requirement for Council to undertake asset projects. There will be increased demand for new assets over the next 10 years as the population grows. This includes new open space and areas for recreation and new and improved transport projects.

A draft Asset Management Strategy was presented to the Council Meeting of 25 November 2024. As outlined in a separate report to the 10 February 2025 Council Meeting, this was exhibited for feedback and is now presented with the detailed Asset Management Plans.

There are Asset Management Plans for 6 different asset classes, and they contain information on the cost to bring each asset class to a satisfactory condition, and the risk ratings of assets and costs of individual projects. The need to undertake these projects is included in these Asset Management Plans.

Delaying asset renewals will lead to additional costs in the long term and is not reflective of intergenerational equity principles.

## ○ Concerns over increased services when finances are weak

A strong local government is one that plans for the future and adapts to changing community needs. The Integrated Planning and Reporting Framework was introduced into Local Government to ensure Councils are planned and proactive in meeting the needs of their community and ensuring appropriate resourcing over the long term. This Framework is particularly important given Councils infrastructure provision responsibilities.

Many of Council's long term strategies have not been reviewed for some time and are not fully integrated. Changes in society, the economic environment and forecast population growth and the associated challenges required the Council to review and redevelop its direction for the next ten years.

In May and June 2024, 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, Council developed and costed the priorities. These are outlined in the draft Informing Strategies which are being presented to Council in a separate report on 10 February 2025.

To reduce the impact of the special rate variation in years 1 and 2, a review was undertaken with a view to reducing the impact in Year 1. The Special Rate Variation proposal is based on a long-term forecast. If Council chooses to reduce funding allocation for the operational initiatives included, this will impact its ability to respond to the challenges and opportunities identified.

The following SRV funding has been included within the Long-Term Financial Plan for operational actions:



Strategy	Average annual cost (over ten years)	Average % of total rates revenue (revised Option 2a)
Environment	\$104,000	0.08%
Integrated Transport	\$493,000	0.38%
Economic Development	\$610,000	0.47%
Culture and Creativity	\$1,117,000	0.86%
Social Inclusion	\$1,092,000	0.84%
Open Space and Recreation	\$384,000	0.30%
Housing	\$44,000	0.03%
Governance	\$2,207,000	1.70%

Many of the actions within these strategies are not new services but planning and initiatives to address challenges and opportunities associated with the changing and growing population.

**Environmental operational objectives include:** Initiatives to support increased renewables, protecting bushland and creating green corridors to support healthy corridors for biodiversity.

**Integrated Transport operational objectives include:** Completing concept designs for cycleways to allow for grant applications to be made. Investigating opportunities to increase pedestrian areas. Reviewing on-road parking management. Development of a travel behaviour shift program to assist community members, school students and parents, thereby reducing increasing congestion.

**Economic Development operational objectives include:** Increasing support for small business including information sharing, data analytics, and support towards activation of town centres and nightlife.

**Culture and Creativity operational objectives include:** Capturing and sharing local history, enhancing Council's website to help people know what's on in the area, developing a creative hoardings program, activating laneways and other public spaces, as well as the delivery of a new cultural and creative hub in St Leonards.

**Social Inclusion operational objectives include:** Expansion of streets alive program, a masterplan and feasibility for new community facilities and open space at Crows Nest, a masterplan for new community facilities and open space in the civic precinct in North Sydney, a new community facility at Berry's Bay, reviews of Bradfield Park and Kirribilli foreshore masterplans, expansion of library services.

**Open Space and Recreation operational objectives include:** additional parks maintenance responsibilities for new open space, play streets program, and masterplan for Cammeray Park and Blues Point Reserve.



## **P** Calls for increased revenue elsewhere, including through fees and charges or developer contributions

Council has considered alternative revenue sources as part of its financial review.

To achieve the outcomes of the Informing Strategies, the following income will be actively sought:

<b>Funding Source</b>	<b>Amount</b>
Rates	\$192,234,042
Developer Contributions	\$33,614,516
Grants	\$60,276,267
Domestic Waste Management Reserve*	\$48,000,000
<b>Total</b>	<b>\$334,124,825</b>

\*the Domestic Waste Management Reserve is expected to be used to fund implementation and operation of Council's Food Organics and Garden Organics waste service.

This rates income will be spent as follows:

<b>How rates income will be spent</b>	<b>Amount</b>
Upgraded and new infrastructure	\$85,600,059
Infrastructure renewals and backlog	\$41,926,976
Operating costs	\$58,707,006
Reserves for delivery of projects	\$6,000,000
<b>Total</b>	<b>\$192,234,042</b>

Please note the figures in the above tables are not adjusted for inflation.

Informing strategies have been amended to include an action to investigate additional revenue from the use of open space for activities such as private events and personal training. Council will also pursue additional income through private hire of the North Sydney Olympic Pool and through advertising within the Local Government area. Additional revenue through these sources is uncertain and unlikely to be generated within the first 1 – 2 years.

When a new development occurs within North Sydney, Council receives a percentage of the cost as a developer contribution. These contributions are also known as local infrastructure contributions. Council anticipates \$33.6 million in developer contributions will be required to achieve the objectives of the Informing Strategies as a minimum.

These are governed by NSW Government policy and can only be spent on certain things. The contributions must be used strictly for the infrastructure and services they were levied for, as specified in the developer contributions plan. Council cannot use these funds for unrelated purposes or general revenue.

Several of the projects included in the informing strategies are reliant on receipt of these funds to occur.





Due to the capital nature of the developer contribution funding, Council must find additional funding to pay for the ongoing maintenance and replacement of these assets, increasing the ongoing funding required through general revenue.

Council reviews its fees and charges annually. Some of these fees are set by other levels of government and Council is unable to change these. Others (such as car parking) are set at a market rate which both provides community value and a fair revenue to Council. Due to the increased revenue required to repair Council's financial sustainability, Council is unable to increase these fees sufficiently to make up the difference.

This fees and charges revenue has also fallen in real terms since the pandemic. It is a higher risk source of revenue for Council than rates, as it can fluctuate by year, leading to challenges in covering fixed costs within fluctuating revenue.

## **Q** Calls for existing cash reserves to be used instead of increasing rates

Several submitters have questioned why Council's cash and investment balances are not being used to assist with the current financial position.

The exhibited Long-Term Financial Plan Base Case Forecast Cash Flow Statement showed cash, cash equivalents & investment balances at the end of 2024/25 of \$80.6M, increasing to \$154.7M over the ten-year period. Despite this, the unrestricted current ratio was forecast at 0.60, highlighting a liquidity problem. These two aspects when considered together have confused some members of the community and have been the subject of new Frequently Asked Question responses.

Legislation and local government accounting codes require that revenue generated for specific purposes such as domestic waste, government grants and developer contributions are to be restricted. This means that they cannot be used for any purpose other than what they have been generated for, and any funds not spent are classified externally restricted reserves. Any interest earned on restricted funds must also be transferred to this reserve.

Developer contributions can only be used for projects outlined within Council's Developer Contributions Plan. For many projects, these developer contributions only pay for a percentage of the project, and funding must be sourced through rates or other income to complete the project.

Within the updated Long Term Financial Plan (the Plan), a new line has been included within the Cash Flow Statement to outline the level of restricted reserves to assist readers understanding.

It is important that Council maintains a healthy balance of non-restricted cash and investment reserves to cover working funds, employee leave entitlements, bonds and deposits held, plant replacement, infrastructure renewal and to ensure Council's ability to withstand a financial shock, such as the recent COVID pandemic.



The balance of unrestricted reserves have been impacted by the ongoing reduction in fees and charges revenue (in real terms) since the pandemic and the ongoing impact of the North Sydney Olympic Pool project.

On page 13 of the Plan, the forecast Cash, cash equivalents and investments excluding externally restricted reserves enters negative balances in 2029/30, and considering working funds requirements, is at financial risk of unlawfully rules forbidding use of restricted funds in 2026/27. This has improved from the exhibited Plan due to a recommendation that Council take out an additional \$10M loan within the 2025/26 financial year.

Council reports on the value of these reserves monthly in the Investment and Loan Borrowings Report.

## **R** Frustration over timing of consultation over the Christmas period

The deadline set by the Independent Pricing and Regulatory Tribunal (IPART) for receipt of special rate variations and increase to minimum rates applications is 3 February 2025. Council has been granted a short extension to allow for an additional week of consultation.

This deadline allows IPART enough time to review the application and exhibit it before it is implemented on 1 July.

Council acknowledges that a considerable volume of information was provided as part of the consultation process, and that this information is complex. In addition to community forums, Council continuously updated its frequently asked questions throughout the consultation period, with 34 responses published on Council's SRV website to aide community understanding.

## **S** Support for the proposed special rate variation

While most did not like the fact that Council requires financial repair, many submitters acknowledged that it was needed to retain the services and infrastructure enjoyed to date, as well as responding to the needs of the future.

Frustration over the North Sydney Olympic Pool project was expressed, but some submitters were happy to see improvements in oversight and decision making and a focus on governance.

Some comments included:

*'Agree we need this increase to remain viable'*

*'I appreciate that the Council needs to be financially sustainable into the foreseeable future and recognize the numerous challenges it confronts.'*



*'Council rates are too low for NSC to adequately meet its short and long-term financial responsibilities.'*

*'This needs to be done. We have to repair the financial situation existing and lay the foundations for a sound financial future, without affecting essential services or infrastructure'*

*'It's an unfortunate position to be in but to ensure that existing assets are fit for purpose and the opportunity to plan and fund new/upgraded assets is in place, I believe that option 3 is the best approach.'*