



Capacity to Pay Report

North Sydney Council

January 2025

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Executive summary

North Sydney Council ('Council') is currently considering an application for a special variation ('SV') to rates, and Council has released four rate rise options to the community (which excludes the base case of rate peg only). These options are designed to help improve Council's financial strength and sustainability, with options 2a, 2b and 3 also providing additional funding for planning and delivering of new and upgraded infrastructure and increases to services.

The options it is considering, which all include a rate peg for 2025/26 of 4%, and a rate peg of 3% in both 2026/27 and 2027/28, are:

- Option 1 proposes a 50% increase in 2025/26 and 5% increases in 2026/27 and 2027/28, and results in a cumulative increase of 65.38% by 2027/28, including rate peg.
- Option 2a proposes a 45% increase in 2025/26, 29% increase in 2026/27 and the rate peg in 2027/28, and results in a cumulative increase of 87.05% over the two-year SRV implementation period.
- Option 2b proposes a 75% increase in 2025/26, inclusive of the rate peg, and then rate peg only increases for 2026/27 and 2027/28. The cumulative rate for the one-year SRV implementation period is 75%.
- Option 3 proposes a 60% increase in 2025/26, 20% increase in 2026/27 and a 10% increase in 2027/28, and results in a cumulative increase of 111.20% by 2027/28, including rate peg.
- Base case (do nothing) consists of rate peg increases only, resulting in a cumulative increase of 10.3% by 2027/28. This is not considered to be a financially sustainable option.

It is noted that option 2a is the staff recommended option.

About this report

This report provides an analysis of a wide range of socio-economic factors and other data and evaluates the general financial capacity of ratepayers to pay the proposed rate changes. It also considers the financial vulnerability and exposure of different community groups within the local government area (LGA).

It analyses both LGA-wide data along with resident-specific data from four geographic groupings within the North Sydney LGA. These groupings have been selected because they have aligned geographic and socio-economic characteristics - utilising data from the North Sydney Council Community Profile.¹

These groupings are:

- Cammeray-Cremorne
- Kirribilli-Milsons Point-McMahons Point
- Neutral Bay-Cremorne Point-Kurraba Point
- North Sydney-Crows Nest
- Wollstonecraft-Waverton.

A breakdown of the suburbs included within each grouping is detailed on pages 5 and 6 of this report.

¹ .id (informed decisions), October 2024. North Sydney Council - Community Profile, Social Atlas, Economic Profile. (Sourced from: <https://profile.id.com.au/north-sydney>)

About the North Sydney LGA

North Sydney Council is predominantly a residential area, but also has substantial commercial areas. Over two-thirds of housing is medium-density (units, townhouses, semi-detached dwellings and terrace houses). The Council area encompasses a total land area of about 10.5 square kilometres. Major features of the Council area include the North Sydney CBD, Admiralty House, Kirribilli House, Luna Park, HMAS Waterhen, Cammeray Golf Course, North Sydney Olympic Pool, North Sydney Oval, Primrose Park, Waverton Park, North Sydney Circle Walk, TAFE NSW Northern Sydney Institute (Bradfield Senior College), The Northern Sydney Institute (Crows Nest Campus), Australian Catholic University (North Sydney - MacKillop Campus), The Mater Hospital, Coal Loader Centre for Sustainability and the Sydney Harbour Bridge.

The LGA is characterised by a relatively high socioeconomic status, low unemployment rate, lower residential and business rates, and low levels of outstanding rates. All suburbs in the LGA have lower disadvantage levels, and greater advantage levels, compared to the Greater Sydney, NSW and Australian results.

Grouping analysis for residential ratepayers

All groupings have significant levels of advantage, as demonstrated by high levels of household income, high socio-economic scores and high levels of home ownership. Each grouping is ranked within the top 1% of areas in Australia for advantage according to the Socio-Economic Indexes for Areas (SIEFA) and Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD).

At the end of 2027/28, residential ratepayers in the Kirribilli-Milsons Point-McMahons Point and Cremorne-Cammeray groupings would be paying an average, depending on the SV option, between \$201 and \$377 per year (for three years) more than they would have under the normal rate increases. Noting that for option 2a the increases are focused in the first two years, with the third year a rate peg increase only. For option 2b, which is a one-year SV option, the increase would be between \$844 and \$827 in the first year and then would increase at the rate peg for the remaining two comparison years. North Sydney-Crows Nest and Wollstonecraft-Waverton would be paying between \$171 and \$314 each year for three years (or \$704 to \$741 for option 2b over one-year). Neutral Bay-Cremorne Point-Kurraba Point sits at the median of the groupings for average residential rates and would see an increase between \$197 and \$361 each year for three years (or \$810 under option 2b).

Due to the high levels of advantage and relatively low potential for mortgage and rental stress, in addition to comparably low levels of pensioners and individuals requiring core assistance, it is considered that there is capacity to pay across all groupings. The application of an appropriate hardship policy remains an important consideration in the implementation of any rate increase, to ensure that vulnerable ratepayers are not marginalised.

Business rates

On average, business ratepayers across the LGA will receive an increase between \$3,840 and \$7,079 over three years (with option 2a focused over two years and option 2b a \$5,274 increase over one year), depending on the SV option selected. From all the groupings, North Sydney-Crows Nest would receive the highest average increase in rates of between \$4,645 and \$8,512 over three years (with a \$6,948 increase over two years under option 2a and a \$6,357 increase over one year under option 2b). This grouping contains 55% of the LGA's business ratepayers, however, due to the very positive indicators for the business community within the LGA, particularly within the suburb of North Sydney, as outlined below, it is considered that there is capacity to pay within this grouping.

At an overall level, North Sydney's average business rates currently sit towards the higher end (using 2023 OLG time series data) when compared against comparable councils. Under the proposed scenarios, business rates will move to the top end of this grouping of comparable councils. The substantial increase in jobs (19,061 FTE) and value added by industry (\$6.14 billion) within the LGA over the past ten years, in addition to the high business rents per square metre in North Sydney and St Leonards, indicate a very healthy, competitive and vibrant economy within the North Sydney LGA. We would therefore consider that there is capacity within the business community to absorb the potential rate rises.

Rate rise choice

Council is considering two permanent three-year SV options from 2025/26 to 2027/28, one two-year SV option for 2025/26 and 2026/27, and one one-year SV option for 2025/26, in addition to not applying an SV (base case or do nothing – rate peg only). The four proposed SV increases are, for the one-year option 2b a 75% increase (with rate peg increases for the following two years), for the two-year option 2a an 87.05% cumulative increase over two years (with rate peg increase for the following year), and for the three-year options, 65.38% for option 1 and 111.2% for option 3, both as cumulative over three-years.

Option 2a is the staff recommended option, and it is considered that ratepayers have the capacity to pay the rate increases proposed under this option. However, Council will need to consider the community feedback, the need to improve financial sustainability and a wide range of other factors in making its final decision on its preferred SV option.

Introduction

This report provides an analysis and evaluation of relative wealth and financial capacity; it looks at the financial vulnerability and exposure of different community groups within the LGA.

Key considerations include:

- regions of social disadvantage
- particularly vulnerable groups of individuals
- patterns of household expenditure.

These findings will then be compared to proposed changes in rates to identify whether there are any groups or individuals that are being particularly impacted and/or marginalised.

Data for this review was obtained from the following sources:

- Australian Bureau of Statistics 2016 and 2021 Census Data – Data by Regions.
- Profile ID – North Sydney Council Community/Social/Economic Profiles.
- February 2016 – Housing and Homelessness Policy Consortium (ACT Shelter, ACTCOSS, Women’s Centre for Health Matters, Youth Coalition of Act) – Snapshot: Housing stress and its effects.

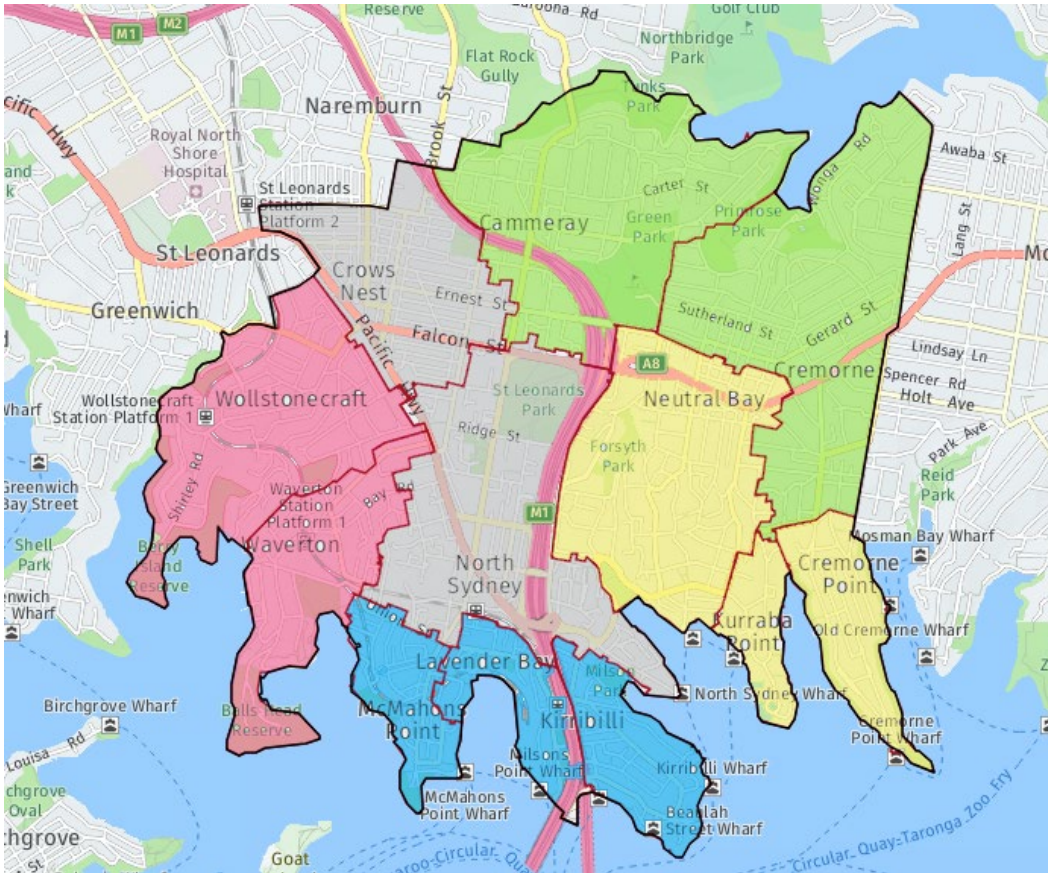
Background

For the purposes of this report, the North Sydney LGA is divided into five groupings. Council is looking to ensure that equity is maintained between areas, as each area has differing economic and socio-economic profiles. A summary of the groupings and the suburbs they encompass has been provided in the following table 2 and figure 1.

Table 1 North Sydney Council area grouping summary

Grouping	Population	Suburbs
Cammeray-Cremorne (identified green on map)	18,351	Cammeray, Cremorne
Kirribilli-Milsons Point-McMahons Point (blue)	14,891	Kirribilli, McMahon's Point, Milsons Point - Lavender Bay
Neutral Bay-Cremorne Point-Kurraba Point (yellow)	13,337	Cremorne Point, Kurraba Point, Neutral Bay
North Sydney-Crows Nest (grey)	11,279	Crows Nest - St Leonards, North Sydney
Wollstonecraft-Waverton (pink)	11,096	Waverton, Wollstonecraft
North Sydney Council total	68,954	

Figure 1 North Sydney Council area map



Methodology

Our methodology in examining the relative wealth between the different areas focuses on the following:

- **Areas of social disadvantage**

We will first investigate the different characteristics and make up of each area to determine whether there are any particular areas of social disadvantage. This will include an investigation into:

- the age structure of each region
- the typical make up of each household
- household income, including the effect of dependants
- SEIFA rankings.

- **Particularly vulnerable groups of individuals**

We will then investigate whether there are any particular groups within each area that, despite the overall wealth of the area, would be particularly vulnerable and affected by a change in rates. These include:

- persons who have or need core assistance
- individuals who are currently unemployed
- households currently under housing stress
- pensioners.

- **Patterns in household expenditure**

We will then examine trends in household expenditure and discuss what impacts they may have on an individual's ability to pay.

- **Industry**

We will then compare employment by industry type, as well as value added by industry sector and the key productive sectors.

We will then compare these findings to the proposed rating changes, to determine whether there are any particular groups or individuals that would be significantly impacted. Our analysis will also compare with the average rates of other Group 3 and neighbouring councils, in addition to outstanding rates ratios and other factors that can help indicate whether the North Sydney community has a willingness to pay increased rates.

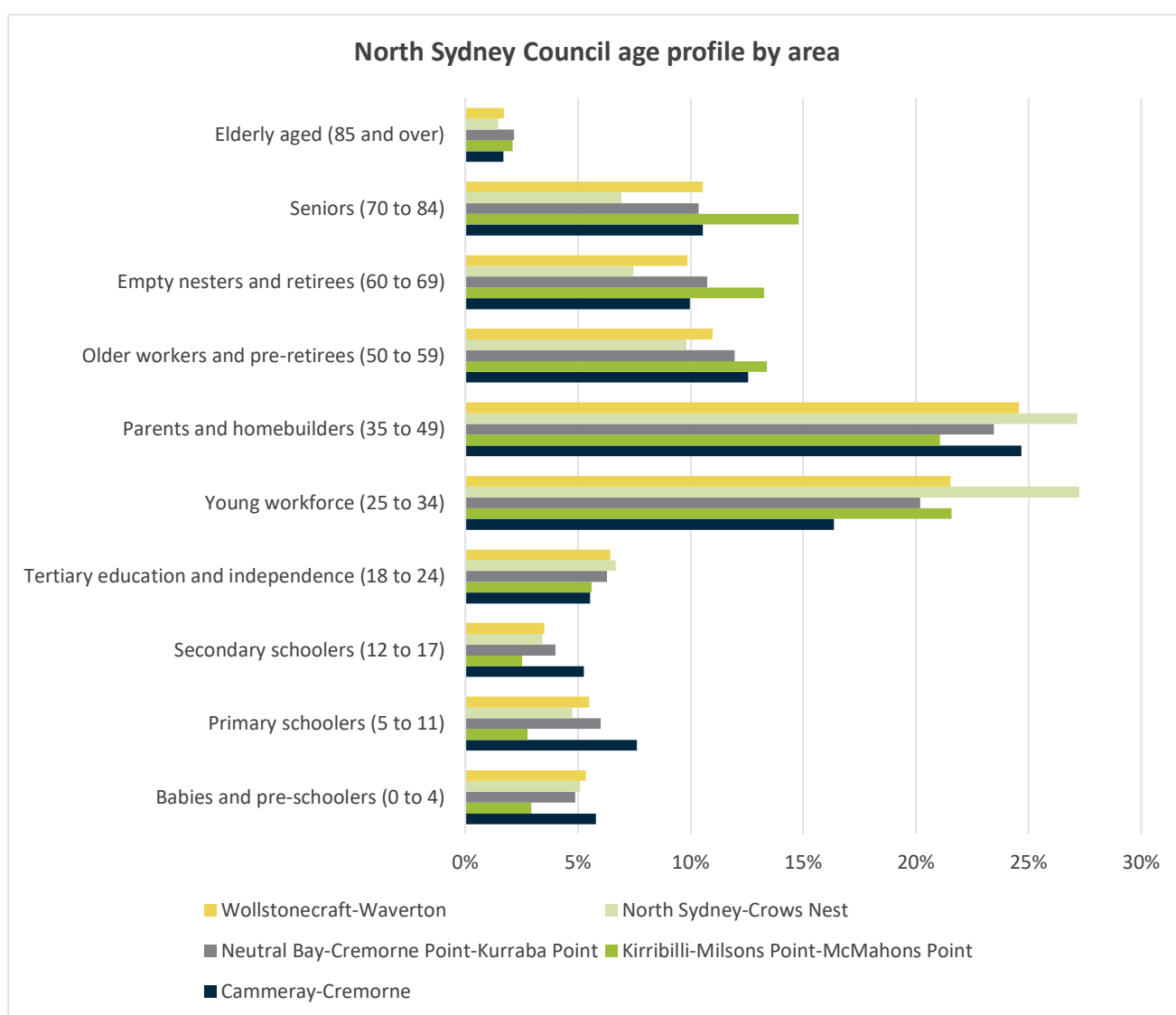
Areas of social disadvantage

Each area has differing demographic characteristics, and we first want to identify ‘who are the people’ that make up each area, ‘what do they do’ and ‘how do they live’.

Service age groups

Age profiles are used to understand the demand for age-based services as well as the income-earning status of the population. Data has been broken into groups that are reflective of typical life stages. This provides insight into the number of dependants, size of the workforce and number of retirees in each area.

Figure 2 Service age groups



Grouping these results in terms of the following categories, dependants (0-17 years), workforce (18-59 years), and retirees (60-85+ years), and ranking them in terms of proportion of population (with one representing the largest proportion) generates the following results.

Table 2 Service age rankings

Rank	Cammeray-Cremorne	Kirribilli-Milsons Point-McMahons Point	Neutral Bay-Cremorne Point-Kurraba Point	North Sydney-Crows Nest	Wollstonecraft-Waverton
Dependents	1	5	2	4	3
Working age	5	4	3	1	2
Retirees	3	1	2	5	4

At an LGA level, there is a notably higher proportion in the working age group (64%), compared with the Greater Sydney average of 58% and North Sydney Regional Organisation of Councils (NSROC) average of 56%. This is particularly due to a higher percentage of young workforce (25 to 34) at 21% compared to the NSROC average of 13% and greater Sydney of 16%. Conversely there is a much lower proportion in the dependents age group (15%), compared to the NSROC average (21%) and Greater Sydney and NSW averages (both 22%). This is mainly caused by a lower proportion in the primary schooler and secondary schooler groupings.

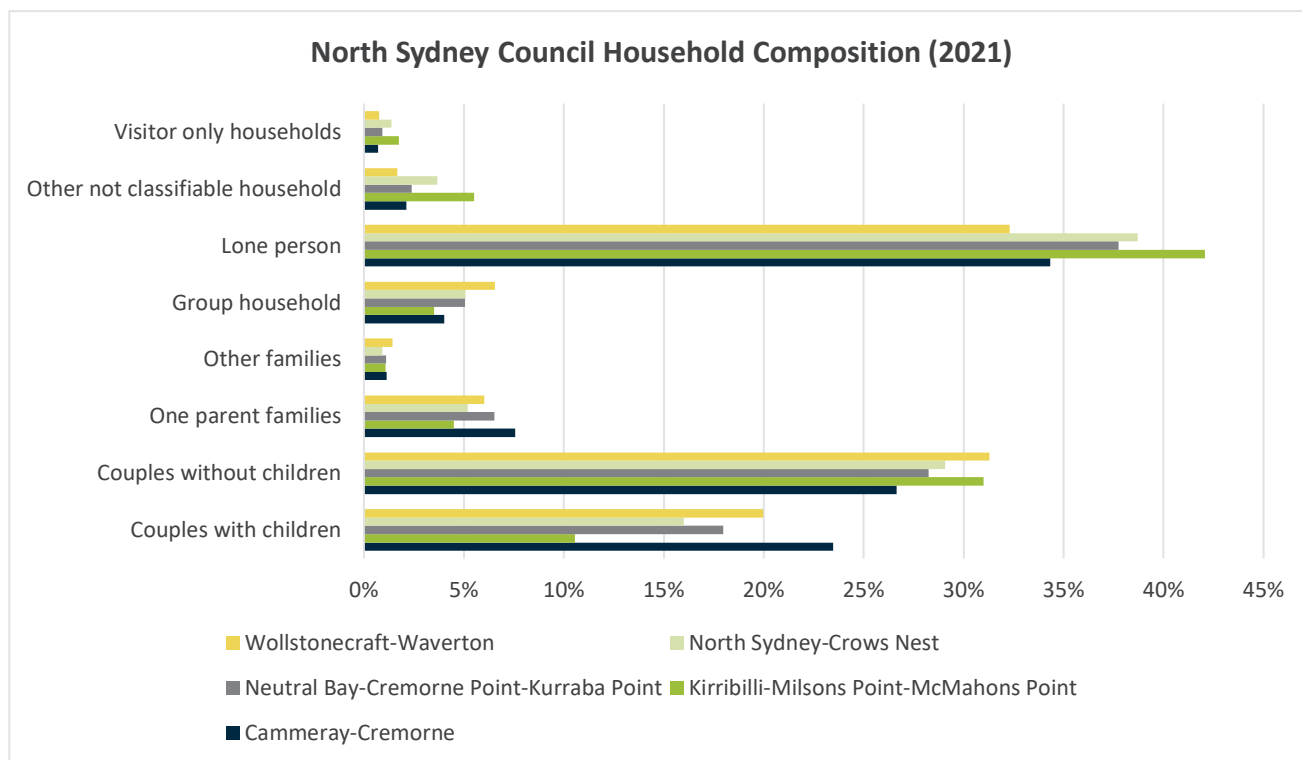
Looking into specific areas, we observe the following:

- Cammeray-Cremorne – has the highest proportion of dependents (19%), however this is still below the NSROC and Greater Sydney averages (21% and 22% respectively), and it has the lowest proportion of working age (59%), however this is still above NSROC and Greater Sydney averages (56% and 58% respectively).
- Kirribilli-Milsons Point-McMahons Point – has the lowest proportion of dependents (8%) and the highest proportion of retirees (30%), which is notably above the North Sydney LGA, NSROC and Greater Sydney averages (22%, 23% and 20% respectively).
- Neutral Bay-Cremorne Point-Kurraba Point – second highest for dependents (15%) and retirees (23%).
- North Sydney-Crows Nest – has the highest proportion of working age (71%) and lowest proportion of retirees (16%), which is notable lower than NSROC and Greater Sydney (23% and 20%).
- Wollstonecraft-Waverton – has the second highest proportion of working age (64%) and second lowest proportion of retirees (22%).

Household types

Alongside the age structure of each region, it is important to determine the typical trends in the make-up of households. This provides a complete picture of the people, families and communities in each area. A summary of household type is provided in the following figure.

Figure 3 Household composition



Overall, the proportion of one parent households in the LGA (6%) is lower than the NSROC and Greater Sydney averages, at 8% and 10% respectively. The proportion of couples with children in the LGA (37%) is significantly lower than the NSROC and Greater Sydney averages (36% and 34%) and higher than the Greater Sydney average (34%), this is predominantly a result of the very low proportion in Kirribilli-Milsons Point-McMahons Point (11%).

The 'lone person' and 'one parent family' households are considered to be more vulnerable to the impacts of rate increases due to a reduced/singular income stream. Combining these categories together into an 'at risk' group shows that across the LGA as a whole, the at-risk group makes up 43% of the population, this notably higher than the average for the NSROC (32%), Greater Sydney (33%) and NSW (34%). It is the lone person grouping that causes this increase within the North Sydney LGA, as it forms a 37% proportion of households. There is a higher proportion of 'at risk' households in the Kirribilli-Milsons Point-McMahons Point grouping at 47%, particularly when compared to the Wollstonecraft-Waverton grouping which has 38% in this category.

Housing tenure

Analysis of housing tenure levels within the LGA allows us to identify which areas are most impacted by changes in council rates. For example, the direct impact of a change in rates will be felt by homeowners, whereas renters are not expected to experience such a direct increase due to the nature of lease agreements, however there is a likelihood of rate increases being passed onto tenants by property owners over the longer term. Furthermore, individuals in social housing will not be immediately impacted by a change in rates, however there is potential for the social housing provider to pass some of these costs on over time.

Table 3 North Sydney Council housing tenure

Housing Tenure - % of households	Cammeray-Cremorne	Kirribilli-Milsons Point-McMahons Point	Neutral Bay-Cremorne Point-Kurraba Point	North Sydney-Crows Nest	Wollstonecraft-Waverton	North Sydney LGA
Fully owned	29%	25%	26%	17%	28%	25%
Mortgage	24%	12%	20%	19%	21%	20%
Renting - Total	43%	54%	50%	58%	48%	50%
Renting - Social housing	1%	6%	0%	1%	2%	2%
Renting - Private	42%	48%	49%	57%	46%	49%
Renting - Not stated	0%	0%	0%	0%	0%	0%
Other tenure type	1%	2%	1%	2%	2%	2%
Not stated	3%	7%	3%	4%	2%	4%
Total households	8,416	5,122	6,640	8,324	5,263	33,790

The North Sydney LGA resident ratepayer (fully owned plus mortgaged) average of 44% is significantly lower than the NSROC (62%), Greater Sydney (59%) and NSW (61%) averages. When reviewing at an area level, the proportion of resident ratepayers ranges widely from North Sydney-Crows Nest (36%), which is well below all comparison averages, up to Cammeray-Cremorne (53%), which although higher is still below comparable region averages.

The LGA has notably lower households with a mortgage (20%) compared to NSROC (31%) and Greater Sydney (32%) – this is particularly noticeable in Kirribilli-Milsons Point-McMahons Point, which has 12% of households with a mortgage. North Sydney-Crows Nest has the lowest proportion of fully owned homes, at 17%, whereas the overall LGA average (25%) is more inline with the Greater Sydney average (27%). Higher levels are generally indicative of higher household wealth and therefore increased capacity to pay; however, it is worth noting that property ownership is not always indicative of higher income or excess disposable income.

The LGA overall has very high levels of private renters (49%), however there is a range when groupings are compared, with Cammeray-Cremorne having a 42% proportion of private renters and North Sydney-Crows Nest 58%. The overall LGA private renter average is well above the NSROC and Greater Sydney averages (33% and 35% respectively). It is important to note that generally, the impact of these rates rises will not be immediately passed onto renters due to the longer-term nature of rental agreements, however the likelihood of longer-term rental increases, due to the increase in rates, does become more likely.

Kirribilli-Milsons Point-McMahons Point contains the majority of the LGA's social housing (52%) as 6% of its households fall into this category; this is driven by Kirribilli which has a 12% proportion of its households living in social housing. Residents in social housing do not pay rates and will not be immediately impacted by the proposed SV, however it is important to acknowledge that accommodation costs may be increased by the social housing provider over the longer term.

Equivalised household income

Equivalised household income can be viewed as an indicator of the economic resources available to a standardised household. It is calculated by dividing total household income by an equivalence factor. The factor is calculated in the following way:

- first adult = 1
- each additional adult + child over 15 = + 0.5
- each child under 15 = + 0.3.

Dividing by the equivalence factor, household income becomes comparable to that of a lone individual, thereby making households with dependants and multiple occupants comparable to those without. By factoring in dependants into household incomes, we are provided with a better indicator of the resources available to a household.

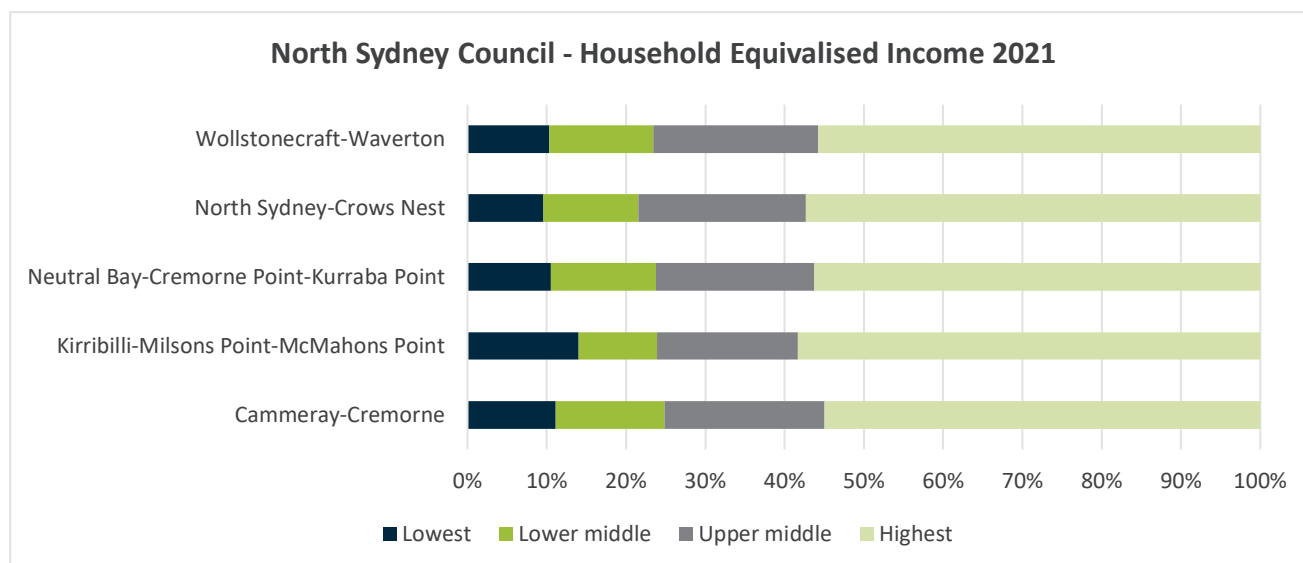
As this is a relative comparison, data has been presented in quartiles; regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within NSW and then dividing them into four equal groups or quartiles.

The data has been presented in ranges for the following equivalised weekly income levels for 2021:

- Lowest: \$0 - \$603 – this range is representative of the bottom 25% of all equivalised household incomes in NSW.
- Medium lowest: \$604 - \$1,096 – this range is representative of the bottom 25% - 50% of all equivalised household incomes in NSW.
- Medium highest: \$1,097 - \$1,770 – this range is representative of the top 25% - 50% of all equivalised household incomes in NSW.
- Highest: \$1,771 and over – this range is representative of the top 25% of all equivalised household incomes in NSW.

Figure 4 summarises the equivalised household income ranges for each area.

Figure 4 Equivalised household income



The LGA as a whole has significantly higher proportions in the upper two income quartiles, at 77% compared to 55% for Greater Sydney and 67% for NSROC. All profile areas within the LGA also have at least 75% of their households in the highest two quartiles. The LGA also has notably lower proportions in the lowest two quartiles, at 23% compared to 45% for Greater Sydney and 33% for NSROC.

There does not appear to be much income disparity across the LGA, as shown in the following observations from the data:

- Cammeray-Cremorne has the highest proportion of in the lowest two income quartiles (25%), whereas North Sydney-Crows Nest has the lowest proportion (22%).
- North Sydney-Crows Nest has the highest proportion (78%) in the highest two income quartiles, whereas Cammeray-Cremorne has the lowest proportion (75%).

Table 4 Comparison of equivalised household income

Equivalised income quartiles (2021)	Cammeray-Cremorne	Kirribilli-Milsons Point-McMahons Point	Neutral Bay-Cremorne Point-Kurraba Point	North Sydney-Crows Nest	Wollstonecraft-Waverton	North Sydney LGA	NSROC	Greater Sydney
Lowest two quartiles	25%	24%	24%	22%	23%	23%	33%	45%
Middle two quartiles	34%	28%	33%	33%	34%	33%	41%	48%
Highest two quartiles	75%	76%	76%	78%	77%	77%	67%	55%

Socio-economic index

The Socio-Economic Indexes for Areas (SEIFA) is an economic tool developed by the ABS to rank areas in Australia according to their relative socio-economic advantage and disadvantage. It takes into consideration a broad range of variables such as income, education, employment, occupation, housing, etc. and is standardised such that the average Australian represents a score of 1000.

In our research, we explored two of the indexes published by the ABS:

- **Index of Relative Socio-Economic Disadvantage (IRSD)**

This index ranks areas from most disadvantaged to least disadvantaged, i.e. a lower score will have a greater proportion of relatively disadvantaged people in the area.

From this score, however you cannot conclude whether a high-ranking area will have a large portion of relatively advantaged people, just that it has a low proportion of disadvantage.

- **Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD)**

This index considers variables of both advantage and disadvantage and, as such, scores and ranks areas from most disadvantaged to most advantaged.

The ABS has also published the variables which have the most impact on both indices, these include:

- IRSD variables of disadvantage:
 - low equivalised household incomes
 - households with children and unemployed parents
 - percentage of occupied dwellings with no internet connection
 - percentage of employed people classified as labourers.
- IRSAD variables of advantage only (disadvantage similar to IRSD):
 - high equivalised household incomes
 - percentage of households making high mortgage repayments
 - percentage of employed people classified as professionals
 - percentage of employed people classified as managers.

Further analysis of these factors is provided in the discussion section. A comparison summary, including related comparison metro and national percentiles, is provided in the table on the following page.

Table 5 Comparison SEIFA scores and percentiles

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Mosman Council area	1,109.50	98	1,169.0	100
Ku-ring-gai Council area	1,108.10	98	1,164.8	100
Lane Cove Council area	1,104.90	98	1,161.9	100
Hunters Hill Municipality	1,100.60	97	1,155.6	100
North Sydney Council area	1,096.00	96	1,164.1	100
NSROC Region	1,085.40	92	1,136.5	99
Hornsby Shire	1,082.20	91	1,115.7	97
Willoughby City	1,074.70	88	1,142.4	99
City of Ryde	1,055.20	76	1,098.9	95
Greater Sydney	1,010.00	48	1,045.0	82
Australia	1,001.20	42	1,002.6	60
New South Wales	1,000.00	42	1,016.0	67

North Sydney Council's IRSD score of 1,096.0 is well above the NSW and Greater Sydney rankings, and slightly above the NSROC ranking. The ranking places the LGA in the 96th percentile, meaning approximately 4% of Australian suburbs have a SEIFA IRSD ranking higher than this area (less disadvantaged), while 96% are lower (more disadvantaged).

IRSAD includes levels of both advantage and disadvantage. North Sydney Council's score of 1,164.1 places the LGA into the 100th percentile, meaning it is in the top 1% of areas for advantage. A higher IRSAD score compared to IRSD score is indicative of more opportunities within the LGA, e.g. higher equivalised incomes, higher education levels, more employment opportunities within the area or more skilled jobs. The LGA therefore ranks notably higher than Greater Sydney and NSW and is slightly above the percentile ranking for the NSROC Region.

A grouping-level summary is provided in the following table.

Table 6 Grouping-level SEIFA scores and percentiles

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Cammeray-Cremorne	1,100.50	97	1,162.35	100
Kirribilli-Milsons Point-McMahons Point	1,082.10	88	1,161.27	100
Neutral Bay-Cremorne Point-Kurraba Point	1,104.73	97	1,168.73	100
North Sydney-Crows Nest	1,093.25	95	1,169.25	100
Wollstonecraft-Waverton	1,110.75	99	1,170.45	100

Analysis at the grouping level demonstrates some slight inequity between different areas of the LGA in relation to disadvantage. Wollstonecraft-Waverton is in the 99th percentile for IRSD scores, compared to Kirribilli-Milsons Point-McMahons Point which is slightly lower in the 88th percentile. Both groupings, however, are in the 100th percentile for IRSAD, meaning that no other areas in Australia have higher levels of advantage. All other groupings sit within the 95th percentile or above for IRSD and all groupings are in the 100th percentile for IRSAD.

Table 7 Suburb SEIFA rankings

Suburb	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Kurraba Point	1118.4	99	1178.7	100
Wollstonecraft	1112	99	1170.9	100
Waverton	1109.5	98	1170	100
Cremorne Point	1108.3	98	1174.5	100
McMahons Point	1104.2	97	1172.5	100
Cammeray	1103.2	97	1164.2	100
Cremorne	1097.8	96	1160.5	100
Crows Nest - St Leonards	1097.3	96	1172.8	100
Milsons Point - Lavender Bay	1092.3	95	1175.9	100
North Sydney	1089.2	94	1165.7	100
Neutral Bay	1087.5	93	1153	99
Kirribilli	1049.8	72	1135.4	99

When scoring is considered at a suburb level, as can be seen above, it identifies that one suburb (Kirribilli) scores lower than other suburbs within the LGA in relation to IRSD, however this is still well above the Greater Sydney average. When advantage is also considered, Kirribilli sits within the 99th percentile, with all suburbs sitting within either the 99th or 100th percentile. Kirribilli can therefore be considered to have some pockets of disadvantage, however, overall is considered an extremely advantaged suburb, with substantial opportunity and wealth.

Overall, the LGA as a whole can be considered an area with significant advantage, with all suburbs within the LGA sitting within the top 1% or 2% of all areas within Australia.

Vulnerable groups or individuals

This section of the report considers whether there are any spatial patterns of individuals or groups who either need additional community services or are more sensitive to a change in rates.

Workforce status

The levels of full or part-time employment and unemployment are indicative of the strength of the local economy and social characteristics of the population.

Table 8 Community workforce status – 2021

Workforce status	Cammeray-Cremorne	Kirribilli-Milsons Point-McMahons Point	Neutral Bay-Cremorne Point-Kurraba Point	North Sydney-Crows Nest	Wollstonecraft-Waverton	North Sydney LGA
Employed	97%	96%	96%	97%	97%	97%
Employed full-time	66%	68%	67%	71%	70%	68%
Employed part-time	24%	22%	22%	19%	21%	21%
Employed, away from work	7%	6%	7%	7%	6%	7%
Unemployed (Unemployment rate)	3%	4%	4%	3%	3%	3%
Looking for full-time work	2%	3%	2%	2%	2%	2%
Looking for part-time work	1%	1%	2%	1%	1%	1%
Total labour force	10,799	5,644	8,468	10,763	6,980	42,668

Note: Pensioners and other non-participants are not included in the total labour force.

In 2021, unemployment within the LGA (3%) was slightly below the averages for the NSROC (4%), Greater Sydney and NSW (both 5%). The unemployment rate average is relatively consistent across all groupings, with Kirribilli-Milsons Point-McMahons Point and Neutral Bay-Cremorne Point-Kurraba Point both more in line with the NSROC average at 4%.

Pensioners

A distinction is made between retirees, and eligible pensioners. To be classified as a pensioner for the purposes of receiving rates rebates, ratepayers must be receiving Centrelink payments such as the age pension or have partial capacity to work such as having a disability, being a carer or being a low-income parent. These individuals have reduced income streams and can be vulnerable to financial shocks and price rises. The following table shows the number of assessments receiving pensioner rebates compared to the total number of assessments for that area.

Table 9 Number of pensioner assessments

Number of pensioner properties	Total assessments	Statutory pensioner assessments	Statutory pensioner assessments %
Cammeray-Cremorne	8,970	571	6%
Kirribilli-Milsons Point-McMahons Point	5,814	126	2%
Neutral Bay-Cremorne Point-Kurraba Point	7,402	351	5%
North Sydney-Crows Nest	9,390	323	3%
Wollstonecraft-Waverton	5,698	282	5%
North Sydney LGA	37,274	1653	4%

It is observed that the grouping with the largest proportion of pensioners is Cammeray-Cremorne (6%), which has almost 35% of the LGA's pensioners (571 individuals). Kirribilli-Milsons Point-McMahons Point has the lowest proportion and number of pensioner rebates, at 2% or 126 individuals, which is lower than the LGA average of 4%. The Group 3 council average proportion of residential pensioners is 10%, with a range from 21% to 4%,² therefore North Sydney sits at the lowest end for proportion of pensioners when compared to other similar councils.

Eligible pensioners have access to mandatory rebates (up to a maximum of \$250 per year) on their rates. North Sydney Council also offers a voluntary rebate on the domestic waste charge, which is separate to the mandatory rebate offered on general rates.

Core assistance

Table 12 highlights the areas within the LGA that have higher concentrations of people who need assistance in their day-to-day lives with self-care, body movements or communication – because of a disability, long-term health condition or old age.

² Office of Local Government, 'Time Series Data 2022-2023'. Retrieved from: <https://www.olg.nsw.gov.au/public/about-councils/comparative-council-information/your-council-report/>.

Table 10 Number of people requiring core assistance

Assistance required (2021)	Number	Percentage
Cammeray-Cremorne	419	2%
Kirribilli-Milsons Point-McMahons Point	301	3%
Neutral Bay-Cremorne Point-Kurraba Point	310	2%
North Sydney-Crows Nest	394	2%
Wollstonecraft-Waverton	301	3%
North Sydney LGA	1,713	2%

We observe that Kirribilli-Milsons Point-McMahons Point and Wollstonecraft-Waverton have a slightly higher proportion (3%) of individuals requiring assistance compared to the remaining three groupings (2%). The LGA overall is below the NSROC (4%), Greater Sydney (5%) and NSW (6%) averages.

Housing stress

The National Centre for Social and Economic Modelling (NATSEM) defines households experiencing ‘housing stress’ as those that satisfy both of the following criteria:

- equivalised household income is within the lowest 40% of the state’s income distribution
- housing costs (i.e. mortgage and/or rent repayments) are greater than 30% of household income.

Research funded by the ACT Government on housing and homelessness issues in the ACT found that due to financial pressures:

- 19% of households facing housing stress compromised a lot on their grocery spend over a 12-month period
- 24% of households facing housing stress found rent/mortgage repayments quite/very difficult in the last three months.

Households facing housing stress are highly likely to be under significant financial stress and vulnerable to sudden increases in council rates.

Mortgage stress

A comparison of households where mortgage costs exceed 30% of income is as follows.

Table 11 Households where mortgage costs exceed 30% of income

Households with mortgage costs >30% of income (2021)	Number	Number of households with a mortgage	Percent %
Cammeray-Cremorne	353	2,063	17%
Kirribilli-Milsons Point-McMahons Point	128	605	21%
Neutral Bay-Cremorne Point-Kurraba Point	209	1,311	16%
North Sydney-Crows Nest	307	1,539	20%
Wollstonecraft-Waverton	161	1,080	15%
North Sydney LGA	1,169	6,597	18%

Overall, 1,169 (18%) households have mortgage costs exceeding 30% of their household income, below the NSROC and Greater Sydney averages (both 20%). Kirribilli-Milsons Point-McMahons Point has the highest proportion of all groupings at 21% (605 households) followed by North Sydney-Crows Nest at 20%. Both groupings, however, have more than 75% of households within the top two equivalised income groupings, therefore there is not a substantial concern of potential mortgage stress in either grouping.

Rental stress

Although renters are not usually immediately directly affected by an increase to council rates, there is generally considered to be a flow-on effect whereby landlords can pass on rate increases to the tenant via an increase in rental payments. It is therefore important to also consider rental stress and any areas within the LGA where this may be higher.

The following table compares the proportion of households with rental payments greater than 30% of household income.

Table 12 Households where rental costs exceed 30% of income

Households with rental costs >30% of income (2021)	Number	Number of households renting	Percent %
Cammeray-Cremorne	1,031	3,562	29%
Kirribilli-Milsons Point-McMahons Point	835	2,728	31%
Neutral Bay-Cremorne Point-Kurraba Point	947	3,289	29%
North Sydney-Crows Nest	1,202	4,756	25%
Wollstonecraft-Waverton	564	2,497	23%
North Sydney LGA	4,589	16,824	27%
NSROC	25,780	78,747	33%
Greater Sydney	231,957	657,317	35%
NSW	335,404	944,585	36%

Across the LGA, 16,824 (27%) households have rental costs exceeding 30% of their household income, which is below the NSROC and Greater Sydney averages (33% and 35% respectively). Kirribilli-Milsons Point-McMahons Point has the highest proportion of all groupings at 31% (2,728 households), however it also has 76% of households in the highest two income quartiles, therefore it does not suggest that there would be a significant concern of rental stress within this grouping.

Trends in cost of living

The cost of living can best be described as the cost of maintaining a certain standard of living. Identifying trends in future costs, particularly with regards to discretionary and non-discretionary income. The following table presents the changes in typical household expenditure throughout the North Sydney LGA over a five-year period.

Table 13 Five-year comparison of cost of living in North Sydney Council LGA³

Household expenditure (totals)	2022/23		2017/18		Change		
	\$ per household	% of expenditure	\$ per household	% of expenditure	\$ per household	% of expenditure	%
Food	\$16,670	9%	\$16,525	9%	\$145	0%	1%
Alcoholic beverages & tobacco	\$7,127	4%	\$8,700	5%	-\$1,573	-1%	-18%
Clothing & footwear	\$7,412	4%	\$6,278	3%	\$1,134	1%	18%
Furnishings & equipment	\$8,371	4.7%	\$8,132	4.4%	\$239	0%	3%
Health	\$10,592	6%	\$9,034	5%	\$1,558	1%	17%
Transport	\$18,428	10%	\$21,705	12%	-\$3,277	-1%	-15%
Communications	\$3,372	2%	\$2,944	2%	\$429	0%	15%
Recreation & culture	\$18,501	11%	\$18,222	10%	\$279	1%	2%
Education	\$5,457	3%	\$5,344	3%	\$113	0%	2%
Hotels, cafes & restaurants	\$14,622	8%	\$15,386	8%	-\$764	0%	-5%
Miscellaneous goods & services	\$23,193	13%	\$24,400	13%	-\$1,206	0%	-5%
Housing	\$38,256	22%	\$42,226	23%	-\$3,970	-1%	-9%
Utilities	\$4,788	3%	\$4,997	3%	-\$209	0%	-4%
Total expenditure	\$176,790	100%	\$183,894	100%	-\$7,104	0%	-4%
Net savings	\$38,778	18%	\$30,699	14%	\$8,080	4%	26%
Total disposable income	\$215,568	0%	\$214,592	0%	\$976	0%	0%
Non discretionary	\$104,407	59%	\$105,741	57%	-\$1,334	2%	-1%
Discretionary	\$73,319	41%	\$79,646	43%	-\$6,327	-2%	-8%

*Non-discretionary spending includes the following categories: food, clothing and footwear, health, transport, communications, housing and utilities.

³ National Institute of Economic and Industry Research (NIEIR), 2021. Compiled and presented in economy.id by. Data based on 2016-17 price base for all years. NIEIR-ID data are inflation adjusted each year to allow direct comparison, and annual data releases adjust previous years' figures to a new base year.

Table 14 shows over the five-year period, total disposable income across the LGA has increased by an average of \$976 (0.5%) and net annual savings have increased by \$8,080 (26%). Total expenditure has reduced by 4% with an 8% decrease in discretionary spending. This is mirrored across Greater Sydney and NSW, where discretionary spending has also reduced by 5% for both regions. However total disposable income has decreased in both NSROC and Greater Sydney, by \$1,640 or a reduction of 1% for Greater Sydney and \$2,372 or a reduction of 1.1% for the NSROC region. In NSW total disposable income has increased by 1% or \$1,179.

Industry

In 2023, the main industries in order of employment (as full-time equivalent - FTE) remain professional, scientific and technical services (36.1%), information media and telecommunications (11.9%), financial and insurance services (10.9%), construction (7.0%) and health care and social assistance (5.3%). Since 2013, information media and telecommunications has moved ahead of financial and insurance services to become the second highest employing sector within the LGA. This differs to Greater Sydney, where health care and social assistance has become the second highest employing industry for 2023 (also behind professional, scientific and technical services). The most recent data indicates the following trends, over the ten years from 2013 to 2023, in these core sectors:

- professional, scientific and technical services jobs have increased by 9,564 FTE
- information media and telecommunications jobs have increased by 5,831 FTE
- construction roles have increased by 3,045 FTE
- financial and insurance services jobs have increased by 1,885 FTE
- health care and social assistance roles have increased by 1,066 FTE
- additionally, the largest decrease has been seen in accommodation and food services, where jobs have decreased by 1,160 FTE
- overall, there are 19,061 more jobs within the LGA in 2023 when compared to 2013.

It is noted that 28.7% of North Sydney Council's resident workers work within the LGA, with 71.3% (or 29,347 resident workers) travelling outside the LGA to work - mainly to City of Sydney, Willoughby, Ryde and Northern Beaches LGAs.

Professional, scientific and technical services remain the most productive industry for the North Sydney LGA, generating 27% of the region's value (as value added) which is double the proportion it generates for Greater Sydney (12.9%). This is an increase of \$1.78 billion since 2012/13, when it contributed 26.2% for the North Sydney LGA. Information Media and Telecommunications is now the second most valuable industry for the area, at 20.5% compared to 6.5% in 2012/13, with an increase of \$3.42 billion in value added to the economy. Financial and insurance services (+\$101.7 million) and construction (+\$476.4 million) have both dropped from second and third respectively in 2012/13, to third and fourth respectively in 2022/23. Administrative and Support Services has dropped from fourth to fifth place, with a gain of \$128.2 million value added.

The overall value added by industries for the North Sydney LGA has increased by \$6.14 billion since 2012/13, which, when combined with the significant increase in full-time equivalent jobs of 19,061, highlights a significant level of increasing opportunity and advantage within the area. The increasing number of local jobs also makes North Sydney the fastest growing local economy within Greater Sydney.⁴ It is also notable that the suburbs of North Sydney and St Leonards have the second and third highest average business rents in Greater Sydney (behind the City of Sydney), at \$8,552 and \$6,453 per square metre respectively.

Table 14 Value added by industry sector⁵

Industry	2022/23			2012/13			Change (\$m)
	North Sydney \$m	North Sydney %	Greater Sydney %	North Sydney \$m	North Sydney %	Greater Sydney %	2012/13 - 2022/23
Agriculture, Forestry and Fishing	28.60	0.1	0.5	18.90	0.1	0.4	9.70
Mining	335.00	1.6	0.8	385.10	2.5	0.7	-50.00
Manufacturing	453.20	2.1	6.4	532.10	3.5	8.7	-78.90
Electricity, Gas, Water and Waste Services	107.10	0.5	1.7	281.30	1.8	2.4	-174.20
Construction	1,891.90	8.8	7.8	1,415.50	9.2	7.6	476.40
Wholesale Trade	629.90	2.9	5.5	513.30	3.3	5.8	116.60
Retail Trade	429.20	2.0	4.6	291.20	1.9	5.0	138.00
Accommodation and Food Services	279.80	1.3	2.6	289.60	1.9	2.7	-9.80
Transport, Postal and Warehousing	364.40	1.7	6.7	485.60	3.1	7.7	-121.20
Information Media and Telecommunications	4,421.10	20.5	5.7	1,003.80	6.5	3.8	3,417.30
Financial and Insurance Services	2,591.90	12.0	14.5	2,490.20	16.1	15.3	101.70
Rental, Hiring and Real Estate Services	931.20	4.3	4.6	704.00	4.6	4.3	227.20
Professional, Scientific and Technical Services	5,827.80	27.0	12.9	4,047.50	26.2	10.6	1,780.30
Administrative and Support Services	1,336.40	6.2	5.2	1,208.20	7.8	4.9	128.20
Public Administration and Safety	520.70	2.4	5.1	502.10	3.3	5.0	18.70
Education and Training	501.90	2.3	5.3	505.70	3.3	5.7	-3.90
Health Care and Social Assistance	590.10	2.7	7.6	441.90	2.9	6.4	148.20
Arts and Recreation Services	124.40	0.6	0.9	105.10	0.7	1.0	19.30
Other Services	197.50	0.9	1.5	201.60	1.3	2.0	-4.00
Total industries	21,562.20	100.0	100.0	15,422.70	100.0	100.0	6,139.60

⁴ SGS Economics and Planning (2024), 'Discussion Paper Economic Development - North Sydney's next ten years'. Retrieved at: <https://yoursay.northsydney.nsw.gov.au/economic-development-study>.

⁵ NIEIR, 2021. Compiled and presented in economy.id by.

Council's Gross Regional Product was \$23.37 billion in the year ending June 2023, growing 7.2% since the previous year and increasing a substantial 36.4% since 2013. The local industry to resident's ratio has increased from 1.6 in 2012/13 to 1.85 in 2023, which is the highest it has been. This indicates that generally most residents are contributing their economic productivity within the LGA, and that more residents may be working within the LGA than in previous years.

Discussion

Our analysis shows that North Sydney Council is an extremely advantaged area, with very similar levels of advantage across the LGA and one pocket of slightly increased disadvantage within the suburb of Kirribilli (although noting it still has an IRSAD score in the 99th percentile). There are some differences emerging between the different areas, however we do not observe any notable differences in advantage across the groupings.

Key aspects of the Cammeray-Cremorne grouping, which has an IRSD ranking in the 97th percentile, and an IRSAD ranking (including factors of advantage) in the 100th percentile, included:

- highest proportion of dependents (19%) and lowest proportion of working age (59%), with the lowest proportion of young workforce (16%)
- second lowest percentage of vulnerable households (42%) which are either 'lone person' or 'single parent' households, however the highest proportion of one parent families (8%)
- a 3% unemployment rate and is below the averages for NSROC and Greater Sydney as a whole
- highest proportion of resident ratepayers (fully owned and mortgaged) at 53%
- highest proportion in the lowest two equivalised income quartiles (25%) and lowest proportion in the highest two quartiles (75%) – however both proportions are significantly improved when compared to the NSROC and Greater Sydney averages
- joint lowest proportion of residents requiring assistance (2%)
- highest proportion of pensioners (6%).

Key aspects of the Kirribilli-Milsons Point-McMahons Point grouping, with an IRSD ranking in the 88th percentile, and IRSAD ranking in the 100th percentile, are:

- lowest proportion of dependents (8%) and second lowest proportion of working age (62%), with the highest proportion of retirees (30%)
- highest proportion of vulnerable households (47%), with the highest proportion of lone person households (42%)
- joint highest unemployment rate (4%) which is in line with the average for the NSROC region
- second lowest proportion of resident ratepayers (37%)
- second highest proportion in the lowest two equivalised income quartiles (24%) and second lowest proportion in the highest two quartiles (76%) – however both proportions are significantly improved when compared to the NSROC and Greater Sydney averages
- joint highest proportion of residents requiring assistance (3%), however this is still below the NSROC average
- lowest proportion of pensioners (2%)

- highest proportion of households with both mortgage costs and rental costs exceeding 30% of income, however there is not a significant concern of potential mortgage stress due to the high levels of equivalised income.

Key aspects of the Neutral Bay-Cremorne Point-Kurraba Point grouping, with an IRSD ranking in the 97th percentile, and IRSAD ranking in the 100th percentile, are:

- second highest percentage of dependents (15%) and retirees (23%)
- second highest proportion of one-parent families (7%)
- joint highest unemployment rate (4%) which is in line with the average for the NSROC region.

Key aspects of the North Sydney-Crows Nest grouping, with an IRSD ranking in the 95th percentile, and IRSAD ranking in the 100th percentile, are:

- highest proportion of working age (71%) and lowest proportion of retirees (16%)
- joint lowest proportion of one parent families (5%)
- lowest proportion of resident ratepayers (36%) and lowest proportion of fully owned homes (17%)
- highest proportion of private renters (57%)
- highest proportion in highest two equivalised income quartiles (78%) and lowest proportion in bottom two quartiles (22%).

Key aspects of the Wollstonecraft-Waverton grouping, with an IRSD ranking in the 99th percentile, and IRSAD ranking in the 100th percentile, are:

- second highest proportion of working age (64%) and second lowest proportion of retirees (22%)
- lowest proportion of vulnerable households (38%) and lowest proportion of lone person (32%)
- second highest proportion of resident ratepayers (49%)
- second highest proportion in top two equivalised income quartiles (77%) and second lowest in the bottom two quartiles (23%)
- joint highest proportion of residents requiring assistance (3%), however this is still below the NSROC average
- lowest proportion of households with both mortgage costs and rental costs exceeding 30% of income.

Proposed rating changes

North Sydney Council is considering four SV options in addition to the base case or ‘do nothing’ (which is not considered to be financially sustainable). These options are all permanent, and all include a rate peg for 2025/26 of 4%, and a rate peg of 3% in both 2026/27 and 2027/28, are:

- Option 1 proposes a 50% increase in 2025/26 and 5% increases in 2026/27 and 2027/28, and results in a cumulative increase of 65.38% by 2027/28, including rate peg.
- Option 2a proposes a 45% increase in 2025/26, 29% increase in 2026/27 and the rate peg in 2027/28, and results in a cumulative increase of 87.05% over the two-year SRV implementation period (with a comparison 3-year cumulative rate of 92.66% including the 2027/28 rate peg). It is noted that option 2a is the staff recommended option.
- Option 2b proposes a 75% increase in 2025/26, inclusive of the rate peg, and then rate peg only increases for 2026/27 and 2027/28. The cumulative rate for the SRV implementation period is 75.00% (with a comparison 3-year cumulative rate of 85.66% including the 2026/27 and 2027/28 rate pegs)
- Option 3 proposes a 60% increase in 2025/26, 20% increase in 2026/27 and a 10% increase in 2027/28, and results in a cumulative increase of 111.2% by 2027/28, including rate peg.
- Minimum rates for all the above options are the same. Proposed minimum rates for 2024/25 are residential \$1300 and business \$1400. The following years minimum rates will increase by the approved rate path, being either one of the proposed SV options or the rate peg.
- Base case (do nothing) consists of rate peg increases only, resulting in a cumulative increase of 10.3% by 2027/28.

We have reviewed average rates by grouping and rate category (noting that these do not allow for proposed changes to minimum rates). We compare the average rates for each scenario against the “do nothing” scenario (base case - rates to increase as normal, with rate peg only applied and no SV). The table below summarises the four scenarios and our analysis of each scenario follows.

Table 15 SV options

Option	2025/26	2026/27	2027/28
Option 1 is a cumulative increase of 65.38% at the end of 2027/28 Minimum Rate: Residential/Business	50% \$1,200/\$1,400	5% \$1,260/\$1,470	5% \$1,323/\$1,544
Option 2a is cumulative increase of 87.05% at the end of 2026/27* Minimum Rate: Residential/Business	45% \$1,200/\$1400	29% \$1,548/\$1,806	rate peg (3%) \$1,594/\$1,860
Option 2b is cumulative increase of 75% at the end of 2025/26* Minimum Rate: Residential/Business	75% \$1,200/\$1,400	rate peg (3%) \$1,236/\$1,442	rate peg (3%) \$1,273/\$1,485
Option 3 is cumulative increase of 111.2% at the end of 2027/28 Minimum Rate: Residential/Business	50% \$1,200/\$1,400	20% \$1,440/\$1,680	20% \$1,584/\$1,848
Base case (do nothing)	rate peg (4%)	rate peg (3%)	rate peg (3%)

*For comparative purposes in the following tables, we have included the rate-peg only years for option 2a and 2b to provide a three-year comparative increase (at a cumulative increase over three years of 92.66% for 2a and 85.66% for 2b).

Residential rates – impact analysis by scenario

Table 16 Option 1 residential average rates impact analysis⁶

Residential - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 1 average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	1,098	1,211	1,816	201	3.87	604
Kirribilli-Milsons Point-McMahons Point	1,120	1,236	1,852	205	3.95	616
Neutral Bay-Cremorne Point-Kurraba Point	1,075	1,186	1,778	197	3.79	592
North Sydney-Crows Nest	934	1,031	1,545	171	3.30	514
Wollstonecraft-Waverton	984	1,086	1,627	181	3.47	542

The impact of increases in rates will be unequal across the LGA due to the variance in land value from area to area. Those in the higher land value areas of Kirribilli-Milsons Point-McMahons Point (average to increase to \$1,852, an increase of \$3.95 per week by the end of 2027/28 when compared to the base case ‘do nothing’) as well as Cremorne-Cammeray (average to increase to \$1,816, an increase of \$3.87 per week by the end of 2027/28) are expected to see larger increases in average rates compared to the slightly lower land value area of North Sydney-Crows Nest (average to increase to \$1,545, an increase of \$3.30 per week by the end of 2027/28).

Table 17 Option 2a residential average rates impact analysis⁷

Residential - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 2a average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	1,098	1,211	2,115	301	5.79	904
Kirribilli-Milsons Point-McMahons Point	1,120	1,236	2,158	307	5.91	922
Neutral Bay-Cremorne Point-Kurraba Point	1,075	1,186	2,071	295	5.67	885
North Sydney-Crows Nest	934	1,031	1,799	256	4.93	769
Wollstonecraft-Waverton	984	1,086	1,896	270	5.19	810

⁶ Group averages are estimates based on current level of ordinary rates.

⁷ Group averages are estimates based on current level of ordinary rates.

As with option 1, residential ratepayers in the slightly higher land value areas of Kirribilli-Milsons Point-McMahons Point and Cremorne-Cammeray (averages to increase by \$922 and \$904 respectively, when compared to the base case - do nothing, over three years) are expected to see larger increases in average rates, under option 2a, compared to the lower land value areas of North Sydney-Crows Nest (total average increase over three years of \$769 or \$4.93 per week) and Wollstonecraft-Waverton (average increase of \$810 over three years or \$5.19 per week).

Table 18 Option 2b residential average rates impact analysis

Residential - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 2b average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	1,098	1,211	2,039	276	5.30	827
Kirribilli-Milsons Point-McMahons Point	1,120	1,236	2,079	281	5.41	844
Neutral Bay-Cremorne Point-Kurraba Point	1,075	1,186	1,996	270	5.19	810
North Sydney-Crows Nest	934	1,031	1,734	235	4.51	704
Wollstonecraft-Waverton	984	1,086	1,827	247	4.75	741

Under option 2b, as with both options above, there will be slightly unequal increases, with residential ratepayers in the higher land value areas of Kirribilli-Milsons Point-McMahons Point (average to increase to \$2,079 by end of 2027/28, noting this is an increase that will mainly be seen in one-year, with remaining years rate peg only) and Cremorne-Cammeray (average to increase to \$2,039, an increase of \$827 by the end of 2027/28) expected to see slightly larger increases in average rates. The median land value area of Neutral Bay-Cremorne Point-Kurraba Point will see an average increase to \$1,186, an increase of \$810 by the end of 2027/28.

Table 19 Option 3 residential average rates impact analysis

Residential - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 3 average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	1,098	1,211	2,319	369	7.10	1,108
Kirribilli-Milsons Point-McMahons Point	1,120	1,236	2,365	377	7.24	1,130
Neutral Bay-Cremorne Point-Kurraba Point	1,075	1,186	2,270	361	6.95	1,084
North Sydney-Crows Nest	934	1,031	1,973	314	6.04	942
Wollstonecraft-Waverton	984	1,086	2,078	331	6.36	993

Under option 3, as with all options above, there will be slightly unequal increases, with residential ratepayers in the higher land value areas of Kirribilli-Milsons Point-McMahons Point (average to increase to \$2,365, an increase of \$377 per year by end of 2027/28) and Cremorne-Cammeray (average to increase to \$2,319, an increase of \$369 per year by the end of 2027/28) expected to see slightly larger increases in average rates. The lower land value area of North Sydney-Crows Nest will see an average increase to \$1,973, an increase of \$314 per year by the end of 2027/28.

Business rates – impact analysis by scenario

Table 20 Option 1 business average rates impact analysis

Business - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 1 average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	3,787	4,178	6,263	695	13.36	2,084
Kirribilli-Milsons Point-McMahons Point	4,952	5,464	8,189	909	17.47	2,726
Neutral Bay-Cremorne Point-Kurraba Point	5,266	5,810	8,709	966	18.58	2,898
North Sydney-Crows Nest	8,439	9,311	13,956	1,548	29.78	4,645
Wollstonecraft-Waverton	1,987	2,192	3,286	365	7.01	1,094

The impact of increases in rates will be unequal across the LGA due to the wide variance in land value from area to area, with those in the higher business land value areas of North Sydney-Crows Nest (average to increase to \$13,956, an increase of \$29.78 per week by the end of 2027/28) as well as Neutral Bay-Cremorne Point-Kurraba Point (average to increase to \$8,709, an increase of \$18.58 per week by the end of 2027/28) expected to see larger increases in average rates compared to the lower business land value area of Wollstonecraft-Waverton (average to increase to \$3,286, an increase of \$7.01 per week by the end of 2027/28). It is observed that North Sydney-Crows Nest has the highest number of business ratepayers (1,904) and accounts for 55% of business ratepayers.

Table 21 Option 2a business average rates impact analysis

Business - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 2a average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	3,787	4,178	7,296	1,039	19.99	3,118
Kirribilli-Milsons Point-McMahons Point	4,952	5,464	9,541	1,359	26.13	4,077
Neutral Bay-Cremorne Point-Kurraba Point	5,266	5,810	10,146	1,445	27.79	4,335
North Sydney-Crows Nest	8,439	9,311	16,259	2,316	44.54	6,948
Wollstonecraft-Waverton	1,987	2,192	3,828	545	10.49	1,636

As with option 1, business ratepayers in the higher land value areas of North Sydney-Crows Nest and Neutral Bay-Cremorne Point-Kurraba Point (averages to increase by \$6,948 and \$4,335 respectively, when compared to the base case, over three years) are expected to see larger increases in average rates, under option 2a, compared to the lower land value area of Wollstonecraft-Waverton (total average increase over three years of \$1,636 or \$10.49 per week).

Table 22 Option 2b business average rates impact analysis

Business - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 2b average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	3,787	4,178	7,031	951	18.29	2,853
Kirribilli-Milsons Point-McMahons Point	4,952	5,464	9,194	1,243	23.91	3,730
Neutral Bay-Cremorne Point-Kurraba Point	5,266	5,810	9,777	1,322	25.43	3,967
North Sydney-Crows Nest	8,439	9,311	15,668	2,119	40.75	6,357
Wollstonecraft-Waverton	1,987	2,192	3,689	499	9.59	1,497

As with option 1 and 2a, business ratepayers in the higher land value areas of North Sydney-Crows Nest and Neutral Bay-Cremorne Point-Kurraba Point (averages to increase by \$6,357 and \$3,967 respectively, by end of 2027/28, noting this is an increase that will mainly be seen in one-year, with remaining years rate peg only) are expected to see larger increases in average rates, under option 2b. The lower land value area of Wollstonecraft-Waverton (total average increase over three years of \$1,497) will see lower average increases.

Table 23 Option 3 business average rates impact analysis

Business - average rates	2024/25 average rate by grouping	2027/28 Base case - do nothing (\$)	2027/28 Option 3 average (\$)	Annual increase (above rate peg) by end of 2027/28 (\$)	Weekly increase above rate peg (\$)	Total average increase (above rate peg) over 3 years
Cremorne-Cammeray	3,787	4,178	7,998	1,273	24.49	3,820
Kirribilli-Milsons Point-McMahons Point	4,952	5,464	10,459	1,665	32.02	4,995
Neutral Bay-Cremorne Point-Kurraba Point	5,266	5,810	11,122	1,771	34.05	5,312
North Sydney-Crows Nest	8,439	9,311	17,823	2,837	54.56	8,512
Wollstonecraft-Waverton	1,987	2,192	4,197	668	12.85	2,004

Under option 3, as with all options above, business ratepayers in the higher land value areas of North Sydney-Crows Nest (average to increase to \$17,823, an increase of \$2,837 per year by the end of 2027/28) as well as Neutral Bay-Cremorne Point-Kurraba Point (average to increase to \$11,122, an increase of \$1,771 per year by the end of 2027/28) are expected to see larger increases in average rates compared to the lower land value area of Wollstonecraft-Waverton (average to increase to \$4,197, an increase of \$668 per year by the end of 2027/28) and Cremorne-Cammeray (average to increase to \$7,998, an increase of \$1,273 per year by the end of 2027/28).

Other rating considerations

Table 24 Estimated average actual rates for comparison councils

Estimated average rates for 2027/28*				
Council	Est. average residential (\$)	Residential rank	Est. average business (\$)	Business rank
Burwood	1,904	3	8,997	4
City of Canada Bay	1,386	11	4,410	12
Hunters Hill	2,739	1	1,788	14
Ku-ring-gai	1,845	6	5,232	9
Lane Cove	1,526	9	6,152	8
Mosman	1,869	4	4,063	13
North Sydney (base case - no SV)	1,112	14	7,847	6
North Sydney - SV option 1	1,665	8	11,687	2
North Sydney - SV option 2a	1,940	3	13,648	2
North Sydney - SV option 2b	1,870	4	13,121	2
North Sydney - SV option 3	2,127	2	14,926	2
Northern Beaches	1,868	5	5,014	10
Parramatta	1,245	13	15,125	1
Randwick	1,790	7	11,388	2
Strathfield	1,650	8	7,582	7
Waverley	1,413	10	8,483	5
Willoughby	1,367	12	9,053	3
Woollahra	2,014	2	4,995	11

*using a rate peg for 2026/27 and 2027/28 of 3%.

Table 24 shows estimated average rates for the 2027/28 financial year (extrapolated using rate pegs from 2023 OLG published time series data) for councils similar to North Sydney that are used for comparison. Within this group, Council's average residential rates under the four proposed SV options will rank between eighth and second depending on the option, with the average residential rate \$1,781 across all comparable councils (excluding North Sydney). For business rates, North Sydney would rank second across all options, among these comparable councils.

Table 25 Comparison of average rates (prior to SV) and socio-economic indicators

Council	Average residential rate 2024/25 (\$)	Average business rate 2024/25 (\$)	Median annual household income (\$)	Average annual residential rates to median household income ratio (%)	Outstanding rates ratio 2023/24 (%)	SIEFA IRSAD ranking
North Sydney	1,040	6,724	131,248	0.41	3.74	1,164
Waverley	1,283	7,703	148,408	0.45	6.31	1,163
Willoughby	1,241	8,221	165,984	0.39	2.70	1,142
Woollahra	1,824	4,522	132,912	0.71	4.16	1,176

Table 25 provides a comparison of councils similar to North Sydney in relation to median annual household income and SIEFA IRSAD scores. North Sydney has the lowest current average residential rate (2024/25) of the four councils and the second lowest average business rate, before the application of any proposed SV. North Sydney also has the second lowest average residential rate to median household income ratio, and the second lowest outstanding rates ratio. This would indicate that there is potential to increase rates within the LGA when compared with similarly advantaged councils.

Figure 5 Actual (2023) rates as a percentage of operating expenses for OLG Group 3 metropolitan councils

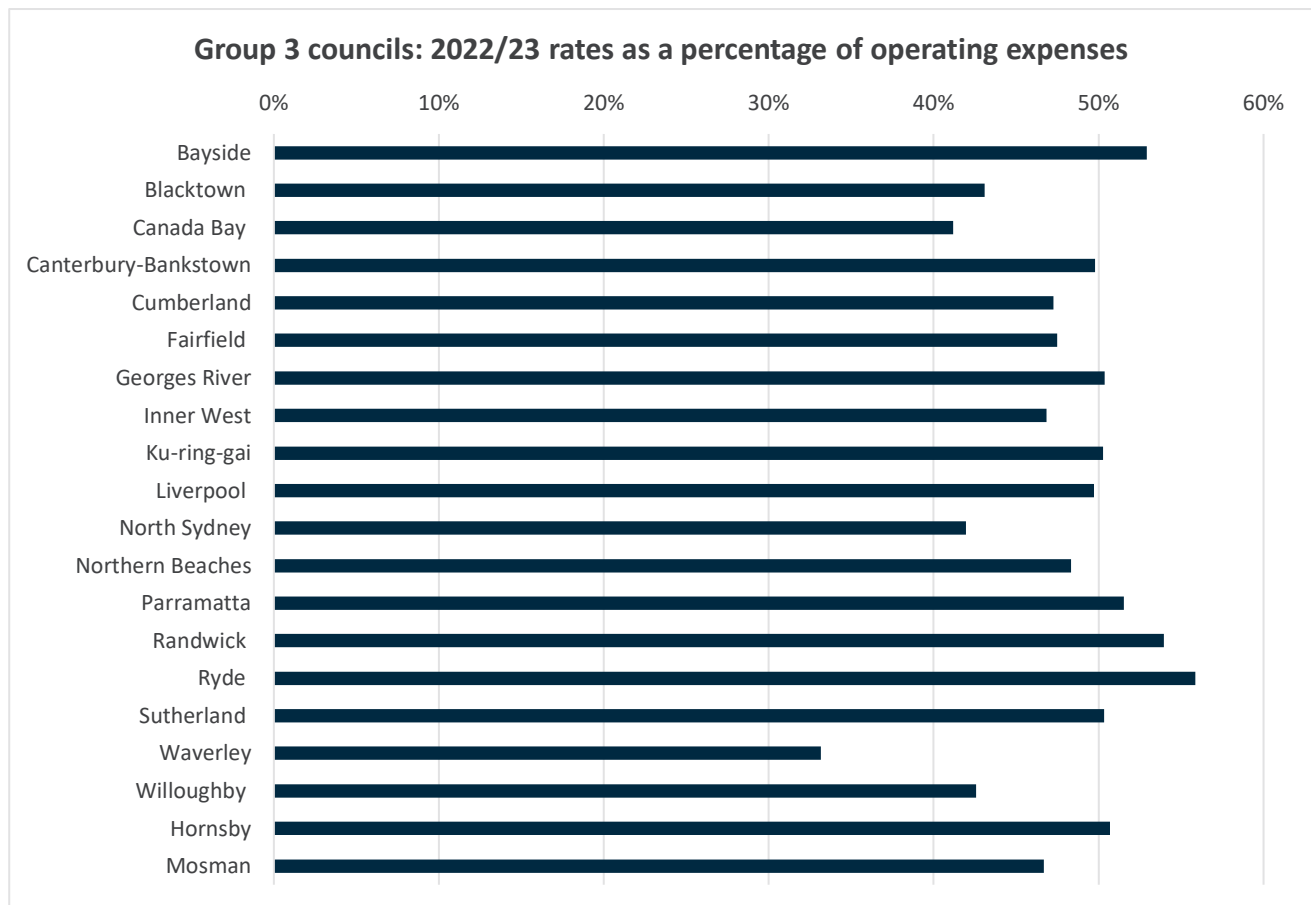


Figure 5 above shows total council rates as a percentage of operating expenditure for group 3 metropolitan councils. North Sydney is well below most of these comparable group 3 councils in 2023, having a below average level of rates revenue as a percentage of operating expenditure. This is a strong indication that Council’s rates are below the level required to service the community.

Table 26 Actual outstanding rates and charges for OLG Group 3 metropolitan councils

Rates and annual charges outstanding (%)	2022/23	2021/22	2020/21
Bayside	7.2%	7.4%	8.3%
Blacktown	5.0%	4.8%	5.1%
Canada Bay	4.1%	3.9%	4.4%
Canterbury-Bankstown	6.4%	6.2%	6.3%
Cumberland	6.0%	5.6%	6.4%
Fairfield	4.2%	4.5%	4.0%
Georges River	4.4%	4.3%	4.5%
Inner West	8.6%	7.9%	8.5%
Ku-ring-gai	4.5%	4.3%	3.6%
Liverpool	7.5%	6.8%	6.2%
North Sydney	2.8%	2.9%	2.8%
Northern Beaches	3.6%	3.6%	3.9%
Parramatta	7.2%	9.7%	8.6%
Randwick	2.9%	4.5%	3.8%
Ryde	3.3%	5.0%	4.6%
Sutherland	4.7%	4.4%	4.7%
Waverley	4.4%	4.8%	4.2%
Willoughby	2.5%	2.6%	2.2%

Table 26 shows outstanding rates and charges ratios over the past three reporting years for Group 3 metropolitan councils. North Sydney’s percentage for 2023/24 is 3.74%, an increase from 2.8% in 2022/23. The NSW benchmark for metropolitan councils is 5%, and North Sydney has consistently been below this percentage for the past four financial years and has remained at the lowest end of the rankings, for the last four years, when compared to similar councils – this is therefore a partial indicator of capacity and willingness to pay.

Conclusion

From our analysis it is apparent that there is significant advantage across the LGA, with some slightly increased disadvantage within the suburb of Kirribilli, although this is still much lower than Greater Sydney averages and the level of advantage within this suburb is still in the top 2% of suburbs across Australia.

All groupings have notable levels of advantage, as demonstrated by high levels of household income, high socio-economic scores and high levels of home ownership. Each grouping is ranked within the top 1% of areas in Australia for advantage according to the Socio-Economic Indexes for Areas (SIEFA) and Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD).

At the end of 2027/28, residential ratepayers in the Kirribilli-Milsons Point-McMahons Point and Cremorne-Cammeray groupings would be paying an average, depending on the SV option, between \$201 and \$377 per year (for three years) more than they would have under the normal rate increases. Noting that for option 2a the increases are focused in the first two years, with the third year a rate peg increase only. For option 2b, which is a one-year SV option, the increase would be between \$844 and \$827 in the first year and then would increase at the rate peg for the remaining two comparison years. North Sydney-Crows Nest and Wollstonecraft-Waverton would be paying between \$171 and \$314 each year for three years (or \$704 to \$741 for option 2b over one-year). Neutral Bay-Cremorne Point-Kurraba Point sits at the median of the groupings for average residential rates and would see an increase between \$197 and \$361 each year for three years (or \$810 in one-year under option 2b).

Due to the high levels of advantage and relatively low potential for mortgage and rental stress, in addition to comparably low levels of pensioners and individuals requiring core assistance, it is considered that there is capacity to pay across all groupings. The application of an appropriate hardship policy remains an important consideration in the implementation of any rate increase, to ensure that vulnerable ratepayers are not marginalised.

At an overall level, North Sydney's average residential rates currently sit at the very lower end (using 2023 OLG time series data) when compared against comparable councils. North Sydney's business rates currently sit towards the higher end. Under the proposed scenarios, both residential and business rates will move to the top end of this grouping of comparable councils. The substantial increase in jobs (19,061 FTE) and value added by industry (\$6.14 billion) within the LGA over the past ten years, in addition to the high business rents per square metre in North Sydney and St Leonards, indicate a very healthy, competitive and vibrant economy within the North Sydney LGA. We would therefore consider that there is capacity within the business community to absorb the potential rate rises.

Further, compared to these councils, North Sydney has low levels of rates income as a percentage of operating expenses when compared to similar councils, and also low levels of outstanding rates (constantly below the average of all comparable councils for the past four years), and has been consistently below metropolitan benchmarks (5%), which indicates that there is capacity and some potential willingness from ratepayers to absorb rises. Overall, it is therefore considered that there is capacity to absorb the proposed increase in rates, particularly if this is supported by an appropriate hardship policy for vulnerable ratepayers.