FINAL DRAFT

EXECUTIVE SUMMARY

We believe NSC fails to meet IPART's conditions for the granting of a Special Rate Variation (SRV).

Contents

1. FINANCIAL NEED

1.1 Unsustainable financial position

Since November 27th, Council has advised ratepayers that North Sydney Council (NSC) is in an unsustainable financial position. Council says it needs to increase rates by 87.05% to "create financial strength and sustainability to support the essential services, infrastructure maintenance, and community priorities". Council's Financial Statements and Budget Reviews suggest otherwise.

In 2023/24 Council budgeted for an operating surplus of $1.6m and achieved a $13.1m surplus.

Council's December 2024 Quarterly Budget Review[1] reported.

- its cash and investment position is $141m at the end of January, just $3m less than the year before even after a $50 million over-run on the cost of the pool
- its debt was around $60 million, the bulk of which is attributable to the pool and nearly $28 million of which is not due to be completely paid off until 2042.
- an increase in Operating Surplus (including Capital Grants and Contributions): The surplus increased by $0.8 million, reaching $4.2 million.
- proposed adjustments to the latest quarterly budget report result in a net increase of $17.961 million in Council's forecast cash balances. This is due to the inclusion of a proposed $10 million loan, the deferral of capital works of $5.5 million and a slight improvement to the operating result.

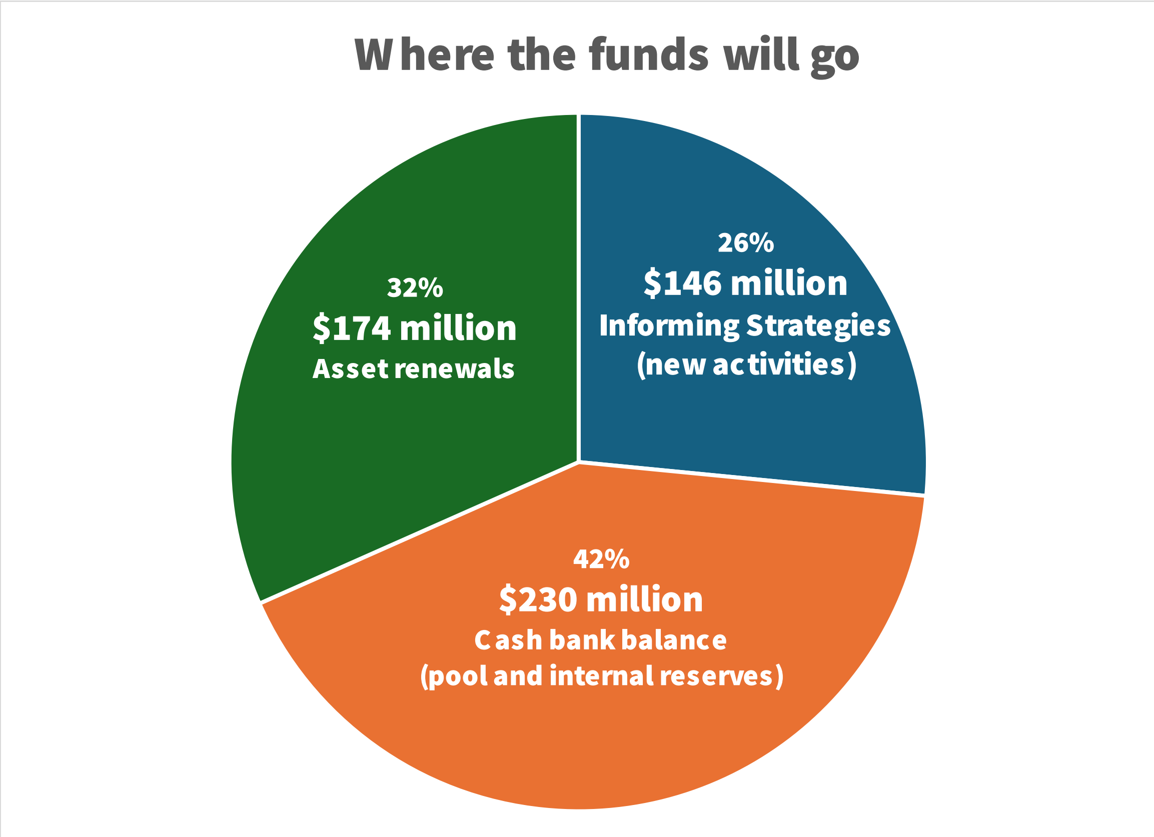
In addition, the Investment and Loan Borrowings Report as at 31 December 2024 and 31 January 2025 reported returns on investments exceeded the January YTD budget by $1,357,000.

It seems that Council expects to have an operating surplus of $6.5m to $8.5m cash p.a. for the next 10 years. Without the SRV, Council will add $67m to its cash position. If this is the case, there is no justification for an SRV.

[1] https://www.northsydney.nsw.gov.au/council-meetings/272/24-02-2025-council-meeting

1.2 Where the funds will go

NSC’s proposed Special Rate Variation (SRV) will generate an additional $550 million in 10 years.



Council plans to spend these funds as follows:

- The SRV will generate an extra $558m over 10 years. In total, NSC will collect $1.3 billion from ratepayers over 10 years.
- Infrastructure renewals and backlog. The assumed infrastructure backlog is $146m, as reported by NSC (NSC), although other analysis has uncovered that $100m of this figure stems from a definition change used to represent asset renewal cost (that was not transparently disclosed by NSC in the financial statements that reported the infrastructure backlog). This makes the veracity of the $146m figure questionable. See further discussion in section 1.3 below.
- After allocating $550m to the above items, $230m remains available for the pool and other costs. Full pool repayment within 10 years is not assumed because there is a $31m loan extending to 2042 and a portion would be budgeted for without an SRV.

1.3 Change in Service Level methodology - $100 million impact

1.3.1 Undisclosed change in asset renewal cost methodology with $100m impact[2]

A review of Council's Report on Infrastructure Assets for the year ending 30 June 2024 was undertaken by Dr David Bond, a highly credentialed and qualified expert in accounting and financial reporting. Dr Bond shared his findings via an online video. https://youtu.be/sFTdUSM_GJo. Dr Bond found that up to $100 million of Council's financial issues stem from a revised definition adopted to calculate the "estimated cost to bring assets to a satisfactory position" for FY24, which is an input into the Infrastructure Backlog Ratio (an indicator used to justify the rate increases). The analysis reveals that, in FY24, Council calculated the "estimated cost to bring assets to a satisfactory position" as the estimated cost of fully renewing Category 4 and Category 5 assets. In prior years, Council calculated this as the cost of fully renewing only Category 5 assets. Adopting the revised definition increased the cost by approximately $100 million relative to the figure that would have resulted using the previous calculation method (used in all years up to FY 2023). Using the previous calculation method, the cost would be $45.68 million, not $146 million.

Notably, this change is not disclosed in Council's FY24 Report on Infrastructure Assets (contained in its financial statements for the year ending 30 June 2024) or its LTFP (LTFP). While the FY24 Report includes the term "Restated" in the column headings for the 2023 and 2022 figures, it provides no explanation of what has been restated or why. The change becomes evident only when comparing the figures and footnotes in the FY23 Report on Infrastructure Assets (contained in Council's financial statements for the year ending 30 June 2023) with the corresponding section in the FY24 Report. It is concerning that Council did not disclose this significant change when discussing the issue of infrastructure backlogs or when presenting the Infrastructure Backlog Ratio.

In any financial reporting, a change in methodology that results in such significant impacts – in this case $100 million, should be clearly disclosed and explained.
Failing to disclose the change in methodology while using its outputs to justify rate increases undermines the principles of good governance and raises ethical concerns. It also denies ratepayers of the opportunity to understand the true drivers behind the cost increase, eroding transparency and trust.

1.3.2 Significant unexplained increase Category 4 & 5 assets (FY 23 - FY 24)

It is observed that in Council's FY23 Report on Infrastructure Assets, only 3.2% of assets in the buildings' asset class (as a % of gross replacement cost) were categorised as Category 4 and 5. However in FY 24, this proportion increases more than six times, to 20%. This is a significant increase and directly contributes to the value of the Infrastructure Backlog Ratio that is being used to justify the rate rises. Council has not disclosed its rationale for this.

1.3.3 The Asset Management Strategy 2025-2035

The community is satisfied with renewing assets in Category 5 only

The Asset Management Strategy 2025-2035 presented to Council on 10 February 2025 advises under Service Demand and Satisfaction (page 31) that

[2] Source: NSC - SRV Verbatim Submissions and Responses _ SRV881

“*Ultimately, setting service levels should be done in conjunction with the community*.”
It then goes on to advise
“*Council periodically undertakes a Customer Satisfaction Survey to determine community attitudes towards its services and facilities … The randomly selected representative sample consists of 400 residential and 200 business customers … It is clear from the most recent surveys that the North Sydney community expects the current level of service to be retained and is happy with what is currently being delivered*.”

Table 13: Customer Satisfaction Survey Results* – Asset Related Services

Service/Function	Category	2023	2023 v 2020 (% difference)
Maintenance of parks, ovals and bushland areas	Residents	95%	4%
Recreation facilities	Residents	84%	2%
Appearance of local village centres	Residents	93%	15%
Look and feel of commercial areas and villages	Businesses	87%	13%
Appearance of public spaces in the North Sydney CBD	Residents	91%	18%
Maintenance of commercial areas	Residents	64%	-9%
Appearance of public spaces in the North Sydney CBD	Businesses	90%	20%
Maintenance of local roads and footpaths	Residents	82%	9%
	Businesses	84%	11%
Pedestrian and cycle paths	Residents	66%	14%
Community centres and facilities	Residents	96%	46%

*Percentage of respondents who are at least somewhat satisfied with the services

The community does not support the revised Asset Management Strategy

The Asset Management Strategy advises that Council received over 1,000 responses in relation to the Special Rates Variation survey conducted between 29 Nov 2024 and 10 January 20254 and 262 responses specifically mentioned the Revised Asset Management Strategy. Of these only 17 Respondents (approximately 6.5% of respondents) noted their general support for the revised Asset Management Strategy.[3] In other words, 93.5% of respondents objected to Council’s revised Asset Management Strategy which altered the current level of service for asset renewal. See discussion in 1.3.1 above.

Council states in its Asset Management Strategy that service levels should be developed in conjunction with the community, Council clearly does NOT have community support to alter the service level for asset renewal.

1.3.4 Council’s revised definition is double that of other metropolitan Councils

Comparing NSC with other metropolitan councils reveals that North Sydney is now using a definition far from standard practice anywhere in other Sydney councils. On average NSC is using an estimated cost to bring assets to an agreed level of service of over double that of other Sydney metropolitan Councils.

[3] Source Paper 10.2. Asset Management Strategy and Asset Management Plans presented to Council on 10 February 2025

1.3.5 Absence of approval and transparency

Council executive did not seek Council approval to broaden the definition. Nor did they share with the community the reasons for this significant increase in infrastructure reporting. The change only became known during the consultation period between 29 November 2024 and 10 January 2025. This has resulted in loss of community confidence and trust in Council's calculations.

1.3.6 Council did not consider community feedback on 10 February 2025

Despite lack of community support, Council at its meeting on 10 February 2025 approved the Asset Management Strategy 2025 – 2035 along with the LTFP and the SRV application.
There were 44 registered speakers at this meeting, of which 2 spoke in favour of Council's proposals, 1 spoke in favour of advertising (see 1.10 below "User fees and charges) and 41 spoke against Council's proposals.
The meeting concluded at 11.06pm on 10 February. Council uploaded the minutes of the meeting prior to midnight on 10 February. Council's application for the SRV is dated 10 February.
IPART requires[4] that "Effective community awareness and engagement provides:

- members of the public with adequate opportunities to consider the proposed SV and/or MR increase/s and provide feedback to the council, and
- for the council to then consider this feedback."

Cleary Council had no intention of considering community feedback. The meeting was perfunctory which explains the distain shown by the Mayor[5] and others to the speakers and the community who wished to attend but were excluded.
In addition, the "minutes" uploaded on IPART's website are different to those on Council's website[6] . The minutes provided to IPART do not disclose the 44 registered speakers.

1.4 The North Sydney Olympic Pool

1.4.1 Lack of financial awareness

A prudent approach is to separate capital expenditure from recurrent expenditure. Capital expenditure should be financed through grants, loans and non-community asset sales. It should be repaid through revenue streams from the asset's utilisation. The North Sydney Olympic Pool (NSOP) is a capital investment and so the funding, under normal business practice, should be on the basis of long-term funding or selling other capital assets.
This lack of financial awareness, planning to fund a non-recurring expense (NSOP) through recurring funding (a permanent rate rise), does not accord with prudent financial practice.

1.4.2 Lack of transparency with pool overruns

In April 2023, following an "independent" report by PriceWaterhouseCoopers, the Mayor noted in an open letter to the community that current estimates suggest an additional $25 million to $30 million

[4] IPART 2025/26 Guidance booklet for councils
[5] https://www.youtube.com/watch?v=6X3HW1IVwTc
[6] https://www.northsydney.nsw.gov.au/ecm/download/document-11398694

will be required to complete the redevelopment of the pool giving a completion cost of between $95.7 million and $105.7 million.

However, it is concerning that new council report[7] says the overall cost of the pool is now $122 million but it is unclear what constitutes the additional $30 million.

1.4.3 Governance strategy

It is noteworthy in 2024 that NSC "resolved to develop a comprehensive governance strategy, aimed at preventing future financial missteps, such as those experienced during the North Sydney Olympic Pool project" [8]

Ms Shane Sullivan, who held the position of Executive Governance Manager at NSC from July 2021 to September 2023, is a highly respected governance professional and was a finalist in the 2023 Governance Top 100.

It is reasonable to expect that NSC had established procedures in place for managing major capita works. It is implausible that a comprehensive governance strategy was not implemented during Ms Sullivan's three-year tenure at NSC.

In November 2023, Ms Sullivan joined Morrison Low, advisers to NSC on the SRV.

In is also noteworthy that in 2020, NSC appointed probity adviser, Prevention Partners NSW, to oversee the tender process for the pool. The Probity Report, dated December 2020, concluded "*this Project was managed with attendance to probity, due diligence and legal compliance*" and "*Council has effectively reduced its corporate risks and can be confident that any resulting contract was arrived at correctly, legitimately and fairly*".

The current Mayor assumed office in December 2021, and during her tenure the pool has increased in cost from $63.9M to over $122M.

[7] Paper 10.11. North Sydney Olympic Pool - redevelopment project presented to Council on 24 February 2025

[8] LTFP page 6

1.5 Performance Ratios

The 2024 Annual Report indicates two benchmarks ("Operating performance ratio" and "Asset maintenance ratio") were slightly missed. All other benchmarks were met and exceeded.

Council's SRV takes Council's financial performance ratios well in excess of the Office of Local Government's (OLG) benchmark performance ratios.

		Benchmark	FYE2022	FYE 2023	FYE 2024	LTFP 2025/26, Table 13
1	Operating performance ratio	>0%	3.32%	1.33%	-0.02%	8.27%
2	Own source operating revenue ratio	>60%	80.51%	78.9%	85.36%	93.19%
3	Unrestricted current ratio	>1.5 x	2.71x	2.72x	2.42 x	1.14x
4	Debt service cover ratio	>2	17.38	8.11	7.90	8.17
5	Rates and annual charges outstanding percentage	<5%	2.94%	2.77%	3.74%	
6	Cash expense cover ratio	>3 months	15.39 months	14.28 months	11.84 months	7.84 months
7	Buildings and infrastructure renewals ratio	>100%	150.62%	86.79%	231.72%	82%
8	Asset maintenance ratio	>100%	88.69%	108.32%	98.64%	100%
9	Infrastructure backlog ratio: standard definition	<2%	3.65%	3.10%	??	??
	Infrastructure backlog ratio: changed methodology		11.07%	13.19%	13.11%	8.85%
10	Cost to bring assets to agreed service level: standard definition		$33.72M	$31.91M	$45.68 M	
	Cost to bring assets to agreed service level: non-standard definition				$146 M	$146M

1.5.1 Operating Performance Ratio

The result was just below the benchmark. This can be repaired by better containment of operating expenditure within operating revenue. Council has not demonstrated cost control.

1.5.2 Own source operating revenue

Council continues to exceed this benchmark indicating little reliance on external funding sources such as operating grants and contributions.

1.5.3 Unrestricted current ratio

Council continues to exceed the benchmark indicating its ability to meet its short-term obligations as they fall due.

1.5.4 Debt service cover

Council's debt service ratio reduced in 2023 and 2024 as monies were borrowed to cover the pool. In June 2024 the ratio continues to exceed the benchmark.

1.5.5 Rates and annual charges outstanding percentage

Council continues to exceed the benchmark.

1.5.6 Cash expense cover ratio

Council continues to exceed this benchmark indicating it has sufficient liquidity to pay its immediate expenses.

1.5.7 Buildings and infrastructure renewals ratio

This is skewed by money spent on renewal of the pool.
Also see discussion under Infrastructure backlog ratio below.

1.5.8 Asset maintenance ratio

The result was just below the benchmark.

1.5.9 Infrastructure backlog ratio

As reported in section 1.3 above, NSC changed its methodology to estimate the cost to bring assets to a satisfactory condition. This change has a significant impact on the infrastructure backlog ratio. Without the change the infrastructure backlog ratio would have been similar to previous years slightly higher than the benchmark but below the State average of 4.8%[9].

The "Infrastructure backlog ratio", "Asset maintenance ratio", and "Cost to bring assets to agreed service level" are all negatively impacted by Council changing its service level for renewing assets.

The Financial Performance of NSC satisfies the OLG Benchmarks, therefore an increase in rates cannot be supported.

1.6 Other revenue options not contemplated

NSC claim that extensive community engagement and consultation played a central role in shaping its SRV. The facts do not support this claim. Council has consistently ignored

[9] https://www.yourcouncil.nsw.gov.au/nsw-overview/assets/

feedback from the community – see Section 2.2 “Council ignored community feedback” below.

The LTFP is both complex and incomplete. It offers an ambit claim of four similar options and does not consider other options. There is no evaluation of alternative revenue measures such as asset sales, sponsorships, grants and loans.

There are several ways to reduce the impact of the rate rise but it takes a desire or interest or curiosity to explore them, however, it appears NSC has no interest in anything other than making the rate payers pay.

1.6.1 Reduced and/or staged rate increases

A motion calling for the inclusion of a range of smaller staged rate increases was defeated at Council on 27 November 2024.[10]

1.6.2 Cost control / Spread projects out further:

Council should cut its own spending first before asking residents and businesses to pay more.

But instead, Council plans to increase spending by $20 million (14%) next financial year, largely on salaries and new projects. It plans to spend an additional $57.4 million in the first three years on new projects. In addition, its plans include a $32 million upgrade for North Sydney oval, again paid for upfront by current ratepayers. Such capital works should be staged over a more reasonable period.

Council speaks about generally efficiencies but is silent on any real resulting cost savings.

1.6.3 Lower the wage growth assumptions and/or factor in productivity savings

The modelling assumes wage rate increases of 4.25% per annum. This is higher than both Commonwealth Treasury and Reserve Bank forecasts and assumes that real wages of council employees increase by 1.75% per annum. This is an aggressive assumption and could only be justified if there were significant ongoing productivity improvements which should flow through to lower council expenditure growth assumptions. Modelling should either use lower wage growth assumptions or add annual ongoing productivity savings which reduce projected council expenses. Council has done neither.

1.6.4 Loan funding to spread out costs.

Debt is a responsible and equitable way to fund large capital projects, aligning payment with usage. Both current and future ratepayers should share the costs of projects from which they will benefit. Instead of burdening today’s ratepayers, the pool and future large capital works could be funded through long-term, low-interest Treasury loans.

[10] Council Minutes, 27 November 2024,pp 13 and 14

1.6.5 Hold debt constant for the next 10 years rather than an aggressive paydown of debt

Repaying 70% of debt over the next 10 years is far too aggressive and a better strategy would be to hold the current level of debt constant until an appropriate gearing ratio is achieved. While the current level of debt is around one-third of total revenues, even under Option 1 this is projected to drop to 5.3% of revenue in 2034-35 - a far too conservative outcome. Holding debt constant for the next 10 years would see the debt to revenue ratio under Option 1 fall from 33.8% to 18.9% (and to around 17-18% under the other options).

1.6.6 Divestment of underperforming assets

Explore divestment of any underperforming assets that don't fulfil council purpose within Council's $53.7 million investment portfolio.

1.6.7 Maximise revenue from existing assets

The council forfeits millions of dollars in revenue annually by not capitalising on the revenue potential of its assets. Examples include the naming rights of North Sydney Oval, one of Australia's most iconic sporting venues, and the Ward Street North Sydney car park, which is situated above the Victoria Cross Metro station and has remained idle since 2020. For further details, please refer to section 5.2 "Productivity Shortcomings".

1.6.8 Revenue from increased ratepayer base

North Sydney's population and building stock (commercial and residential) is growing, which should expand the rate base and allow for a reduction in rates, not an increase. The rate revenue is already increasing due to the increased residential and business developments around the new Crows Nest Railway Station. More development will occur in the near future as North Sydney includes the Crows Nest Transport Orientated Development (TOD) Accelerated Precinct and two metro stations.

Residential:

The Crows Nest TOD precinct was rezoned in November 2024, allowing for 5,900 new homes. It has State Significant Development pathway to hasten development applications. Despite this and other approved residential developments in North Sydney, the Council's LTFP conservatively allows for just 300 new homes annually.

Commercial:

The Victoria Cross Metro site is a 42-storey commercial building with 58,000sqm of office space for 7,000 workers and 20 retailers, set to complete in 2025.
The Crows Nest TOD precinct offers commercial space for 2,500 jobs.
The LTFP appears to exclude these additional business rates.

1.7 Invalid rate comparisons

1.7.1 Minimum rates

Council compared its minimum rate increase with nearby Councils like Willoughby and Mosman, which lack CBDs, using North Sydney's low rates to justify the SRV. However, comparing North Sydney's current (24/25) minimum rates to Councils with CBDs shows that current rates are in already line, but post-SRV rates are not.

LGA	2024/2025	After SRV
North Sydney	$715.24	$1,300
City of Sydney	$668.50	
Waverly	$746.92	
Parramatta	$790.35	

1.7.2 Rate revenues

Comparing North Sydney's current (24/25) revenues with those of similar councils shows that North Sydney is in line with others on total revenue. However, it would be out of line if the SRV application goes ahead. Justification of such an outcome has not been provided.

LGA	Existing Revenue (m)	After SRV (est)
North Sydney	$138.150 M	$190.000 M
Woollahra	$126.841 M	
Willoughby	$146.736 M	

1.7.3 Conclusions require qualitative assessment.

Although the above comparisons show the differences between councils across a selection of specific activities, they do not explain why these differences have arisen. The figures are indicators only and conclusions should not be drawn without qualitative assessments being made.

1.8 The Long-Term Financial Plan

Council has not effectively managed its LTFP (LTFP), leading to an unexpected 87% cumulative rate rise. The new plan is significantly different from the previous one, which stated the council's financial position was sound.

In 2024, the council revised its eight 'needs' strategies without considering their cost implications, causing the LTFP to lag behind. Local Government Integrated Planning and Reporting guidelines require financial strategies to inform key strategies and plans during development.

The LTFP has been designed so that +$60million is allocated to Informing Strategies in the first three years. It is significantly front-end loaded when NSC has pressing financial, asset, operational and executional matters with which to deal.

The forward estimates of the Grants and Contributions included in the LTFP are listed as approximately $12.5 million pa. This seems to be substantially less than the historical average of $23.5 million pa (Annual reports 2019 to 2024).

1.9 The Eight Informing Strategies

Council's survey conducted between 29 Nov 2024 and 10 January 2025 shows that 78% of over 1,000 respondents do not support these eight strategies.

1.9.1 Not fit for purpose

One of the fundamental weaknesses of the Council's SRV proposals is the strategic plans (Informing Strategies). These strategic plans are fundamentally weak.
They are largely composed of rhetorical pronouncements, absent any meaningful tactical or operational specifics, and devoid of relevant cost planning evidence. The strategies do not demonstrate how any objectives are going to be achieved. The cost planning accuracy is reported as extremely high risk, and thus not fit for the purpose of aligning achievable ends with accurately defined and available resources (programmed funds and demonstrated high level expertise by committed personnel).

1.9.2 Discretionary projects in a "financial crisis"

Presenting these strategic plans whilst at the same time advising ratepayers that Council is in a 'financial crisis' is extraordinary. It illustrates the absence of discipline, focus and prioritisation. What is required is setting clear, simple financial and performance metrics to strengthen Council's financial footing – these have not been provided.
Council must take responsibility for establishing sustainable financial and operational plans. Rates must be determined by actual needs, not community popularity.

1.9.3 Willingness to pay

Where a council is seeking to demonstrate financial need for discretionary activities, councils need to demonstrate ratepayer support through a willingness to pay study.
In the survey conducted by Council between 29 November 2024 and 10 January, completed by over 1,000 ratepayers, 78% of respondents said they were NOT willing to pay for the new projects, services and initiatives from the Informing Strategies. Council needs to get its finances back on track and into the 'black' before embarking on any 'ambitious' expansion of Council services. Ratepayers question why they should commit to funding expanded programs when NSC is already struggling to execute existing projects efficiently, both in terms of time and cost.

1.10 User fees and charges

NSC claims that user charges and fees have not recovered to pre-covid levels due to societal and market changes. It cites decline in revenue from parking fees and advertising.

In terms of parking revenue, NSC fails to acknowledge its own role in the decline. Parking revenue was increasing steadily from 2022 to June 2024. The rollout of a new parking system in mid-2024, which attracted national media scrutiny, made parking more difficult for many users. The app-based system was confusing or inaccessible for a significant cohort, necessitated the continued employment of rangers despite NSW's transition to a ticketless fine system, and actively reduced revenue potential by allowing users to time and pay for their stays in real-time increments. Rather than improving revenue productivity, Council has reduced it.

With reference to advertising, in 2022, Council awarded a nine-year contract to JCDecaux for the installation of 54 digital advertising panels and street furniture. Three years into the contract, Council processes have obstructed all but six installations, jeopardising what JCDecaux representative David Watkins estimated on February 10 as $20 million in potential revenue over six years—sufficient to offset projected declines in other revenue streams.

For further information see Section 5.2 “Productivity Shortcomings” below.

1.11 Alternatives to the rate rise

Council did not canvass alternatives to the rate rise. See section 1.6 “Other revenue options not contemplated” above.

1.12 Community does not need/desire council projects

The evidence indicates absence of community need and/or desire for Council’s proposed service levels and/or projects
The 2023 Community Satisfaction survey indicated that 92% of residents were happy with the current level of service being delivered. See Section 1.3.3 “The Asset Management Strategy 2025-2035” above
Council’s survey conducted between 29 Nov 2024 and 10 January 2025 shows 93.5% of over 1,000respondents objected to Council’s revised Asset Management Strategy.
This survey also shows that 78% of respondents do not support these eight strategies. See Section 1.9 “The Eight Informing Strategies” above.

1.13 The OLG had no concerns re NSC’s financial sustainability.

Each year, the Office of Local Government (OLG) reviews the audited annual financial statements of all NSW councils. If OLG has any concerns about a council's financial position, it will contact the council and ask for an explanation. The OLG reviewed NSC’s 2023/34 Financial Statements and had no concern about NSC’s financial sustainability.

1.14 In summary

NSC has NOT demonstrated a financial need for its proposed rate increase.

2. COMMUNITY AWARENESS AND ENGAGEMENT

The engagement program (29 November 2024 to 10 January 2025) conducted over the holiday season was untimely and ineffective.

2.1 Public engagement during major holiday period

Seeking public engagement during the Christmas/January major holidays is unacceptable and against best practice when engaging at Local Government level. It does not provide the broader community an opportunity to review all the material associated with the Community Strategy.

There are over 8 significant and complex documents that require consideration.
The increasing number of FAQs on the survey's consultation page highlighted the engagement strategy's failure to address complex fiscal proposals adequately.

Council did not allow enough time for meaningful consultation, particularly given the size of the proposed SRV. This was not a considered and timely process.

2.2 Council ignored community feedback

The community is at the heart of the Integrated Planning & Reporting Framework (IP&R) framework. Effective community engagement results from a strong partnership between councils and their communities.
Council in its application cites extensive community engagement assisted decisions align with community priorities.
There was no meaningful community engagement – the engagement process was performative. This is regrettable as many inputs from people with relevant professional expertise and experience were ignored.

Following consultation, Council tweaked its chosen option, Option 2a

Option 2a	Year 1	Year 2	Cumulative
Pre consultation	50%	25%	85.5%
Post consultation	45%	29%	85.05%
		Difference	**0.45%**

The difference for ratepayers of 0.045% is immaterial.
There is no evidence that Council considered or implemented community feedback.

2.2.1 Input from over 800 Submissions ignored

Analysis and understanding of the SRV proposal is confronting for many ratepayers. Yet almost 900 thoughtful submissions were made, the vast majority of which opposed the SRV. Regrettably the “Engagement Outcomes Report” and “Key Engagement Themes” fail to accurately reflect the comprehensive feedback from the community. There is little evidence that meaningful community input was considered by Council. Instead, public outcry over rate increases resulted in minor modifications that weakened the operational plan rather than improve it.

2.2.2 Input from over 1,000 survey response ignored

Feedback from the community on the SRV proposal by way of a survey has also been ignored. For example,

- Only 5% of respondents supported option 2a, and yet Council adopted this recommendation from Council Executive at its meeting on 10 February 2025
- 78% of respondents said they were unwilling to pay for new projects, services and initiatives outlined in the “informing strategies”, and yet these remain at a cost to ratepayers of $146 million and were accepted by Council on 10 February 2025.

- The survey was flawed as it did not have options to oppose the rate increase or advocate for a lower rate increase. Despite requests from the community to include these options in the survey, Council chose not to alter the survey.

2.2.3 Input from speakers at Council on 10 February 2025 ignored

There were 44 registered speakers at Council on 10 February 2025 of which 2 spoke in favour of the proposal, 41 spoke against and the remaining speaker, Co-CEO of a global advertising company, promoted advertising.

The Council meeting ended at 11:06pm. Scrutiny of submission timing shows that North Sydney Council uploaded its minutes and other parts of its application to IPART between 11:06 pm and midnight on 10 February, moments after the council meeting concluded. Given this timeline, the SRV submission to IPART could not have incorporated community feedback provided during the meeting, raising concerns about whether council adequately considered the input before finalising its application. It appears the community's input was ignored.

2.2.4 Discrepancies between minutes of 10 February 2025

Meanwhile, discrepancies have been identified between the North Sydney Council minutes published on its website and those submitted to IPART as part of its application for the SRV. The version provided to IPART omits background details and a record of speakers, meaning the tribunal would not be aware that 44 registered speakers provided feedback, much of it negative, during the 10 February council meeting.

2.2.5 Unacceptable behaviour at Council meeting on 10 February 2025

Throughout the meeting speakers were treated with disdain by the Mayor with not even a polite acknowledgment of their valid inputs.

Some Councillors targeted and denigrated Councillors who did not agree with the SRV proposal. Such unseemly behaviour further dented the community's confidence in council's leadership.

One counsellor was totally offensive when he said, "*Do North Sydney Councillors really want to present themselves as the entitled Karens of Australia*[11]?" The use of such a pejorative slang term at a Council meeting is not constructive and totally unacceptable to the community.

In addition, many members of the public were turned away from the meeting. The council chambers are small and, despite Council anticipating large attendance and the meeting being webcast, there was no provision to observe the meeting for the over 250 ratepayers who wished to attend.

2.2.6 Workshop

On 7 December 2024, Council conducted a workshop with 42 demographically selected residents. However, this group was drawn from the pool which assisted Council in the development of the Informing Strategies in May/June 2024. As it was a biased group results from this workshop are invalid.

2.2.7 Media

Council advertised in two local newspapers, Mosman Daily and North Shore Times. Council did not advertise in other local newspapers such as North Sydney Living and North Sydney Sun.

[11] Meme depicting middle-class white women who "use their white and class privilege to demand their own way"

The advertisements were small and contained no informational content about the proposed SRV, but instead a QR code linking to a website.
The advertisement in the Mosman Daily on 19 December invited readers to attend a community forum that was held three days prior on 16 December, making a mockery of any consultative process.

2.3 Lack of clarity

Council has NOT clearly and transparently communicated the full impact of the proposed rate increases to ratepayers. Council's analysis understates annual rates by excluding Domestic Waste Management Charge (DWMC) and Stormwater Management Charge (SWMC), which can be $500-$700 annually for residential owners.

Council's Fact Sheet and LTFP do not mention DWMC and SWMC, leading residents to assume forecast rates include these charges. These charges are significant and their omission misleading.

For example, a resident paying $1,300 annually may mistakenly believe their payment will increase to $1,665 under Option 1, when it will actually be closer to $2,300 due to DWMC and SWMC.

Council has NOT clearly and transparently communicated the full impact of the proposed rate increases to ratepayers.

2.4 All or nothing scenario

Ratepayers were presented with an "all or nothing scenario", rather than a range of realistic funding options. All Council communications and engagements promoted a very narrow set of four options with no provision to oppose the rate increase, or advocate for a different increase or different timeframe(s).
Community sessions were conducted where the Mayor and Chief Executive presented only the four options with no provision to consider alternatives.
Offering four options only has confirmed ratepayers' view that the decision to increase rates by had already been made.

2.5 Ratepayers taken by surprise

It is baffling that Council reported a surplus in June 2024, and yet six months later declared an unsustainable financial position. There was no mention of a financial crisis before or during the Local Council elections in September 2024. The alleged financial crisis was first revealed at the Council meeting on 27 November 2024.

In addition, NSC appointed Morrison Low on 19 September. This was just five days after the 14 September election while votes were still being counted, and the new council was yet to be sworn in. This raises the question did the Chief Executive share this information with the Mayor and councillors. Examination of Council minutes reveal there was no discussion about Council's finances between consideration of the March Quarterly Report and November 2024.

If the Chief Executive shared information about an alleged financial crisis, then the question arises, with whom and when. If no, was the Chief Executive operating outside her authority?

2.6 Efficiency measures

There are vague promises to improve efficiency, but no discussion or strategy on how this can be achieved. Council's Organisational Plan lists efficiency measures but lacks specific operational details, cost savings, and measurable outcomes over the short, medium and long term. Without measurable outcomes, the "efficiency measures" look like bureaucratic "process reengineering".

2.7 In summary

The engagement process reinforced ratepayers' belief that the SRV decision was predetermined, and the engagement program was performative. Ratepayers were presented with an "all or nothing scenario", rather than a range of realistic funding options. Council's decision-making was neither transparent nor inclusive. As such, the community was not fully aware of the implications of Council's proposed rate increase.

Council's consultation with ratepayers was NOT effective.

3. IMPACT ON RATEPAYERS

3.1 Council relied on highly aggregated measures

Council relies on its consultant's report[12] to conclude ratepayers (residents and businesses) have the capacity to pay the rate increase. There is no evidence that Council considered how the *affected* ratepayer (resident or business) had the capacity to pay.

Morrison Low's report uses standard measures to reach its conclusion. However, many of these measures are highly aggregated and hence critical evaluation is required.

Council has not provided a revised hardship policy for those affected by the rate increase or assistance plan for those facing financial hardship because of this rate rise.

78% of survey respondents indicated they were NOT willing to pay for the Informing Strategies.

3.2 Impact on residents

Some points from the 2021 census are revealing on the impact on residents:

- 15.3% of the LGA have household income of less than a $1,000 a week.
- Individual income is equally interesting. 24% earn less than $1,000 a week and 6% earn nil income.
- Equally significant is this: In 2021, 39% of households in NSC area contained only one person, compared with 23.2% in Greater Sydney, with the most dominant household size being 1 person per household.
- Just 25% own their own home outright. 50% rent, and the remainder are paying off a home. In other words, 75% of the population are exposed to the pressures of interest rates and/or landlord rent setting decisions. This is slightly HIGHER than greater Sydney.
- While North Sydney may be overall richer, it also pays more for property. Average rent is $580 per week (NSW average $420). Average mortgage payments are $692 (NSW $432)
- North Sydney demographics are also aging. The largest changes in age structure in this area between 2016 and 2021 were in the age groups:
  25 to 29 (-887 persons)
  30 to 34 (-809 persons)
  75 to 79 (+709 persons)
  70 to 74 (+671 persons)

In terms of overall comparisons with other councils, where NSC likes to claim residential rates are quite low, it is worth noting that the LGA has a population density of 6,862 people per square km, and just 10.49sqkm of land to serve. This is twice the population density of Mosman (3,359) and around 60% more than Lane Cove (3,964). Simply, if you have more density, it is cheaper to service community with core council services such as rubbish collection, local roads and open space upkeep.

It is sophistry to compare North Sydney with other council areas that are more expensive to service and with clearly larger land lots (and per capita rate values) given their lower densities.

[12] Council Paper 10.3.5 Capacity to Pay, Morrison Low, presented to Council on 10 February 2025

3.3 Impact on business

Many property owners in their submissions[13] to Council criticised the rate rise. The North Sydney Sun summarised the issue on 4 February https://tinyurl.com/mvu8nzr7
The article is provided below.

Concerns rate rises will threaten North Sydney office market, retail recovery

"Major commercial property owners in North Sydney have strongly criticised the council's proposed Special Rate Variation, warning that a recommended increase of 87% would undermine investment confidence and harm businesses already struggling with high vacancy rates and post-pandemic economic pressures.

In submissions to the council's consultation process, Pro-Invest Group, Stockland, the investment managers of 2 Blue Street (Blue & William), and the owner of the Victoria Cross Over Station Development at 155 Miller Street have all voiced opposition to the proposed rate increases.

The owners of Victoria Cross Over Station Development at 155 Miller Street, home to a new Metro concourse retail precinct, said the SRV would hurt businesses just as they begin trading. "Retailers in the concourse only commenced operations in September 2024, and those along Miller Street will not open until 2026. Raising costs during this critical early trading period will put unnecessary strain on their viability," the submission stated. "These businesses are critical to the success of the new transport hub, and additional financial burdens will only stifle growth before they have had a chance to establish themselves."

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Stockland, which owns 601, 110, 118, and 122 Walker Street, argued that the council's rate hike is out of step with NSW state pricing tribunal guidelines for reasonable rate adjustments and would place undue financial pressure on commercial tenants. "North Sydney has long relied on its competitive office market to attract businesses. A sudden and disproportionate increase in rates risks pushing tenants away and making the area less attractive for future investment," Stockland's submission said. It added, "Our commercial tenants are already struggling with post-pandemic economic pressures, and this rate increase will force some of them to reconsider their presence in North Sydney."

The investment managers of 2 Blue Street (Blue & William) echoed these concerns, pointing to rising vacancy rates and competition from Sydney CBD and Macquarie Park. They warned that increasing council rates at this scale "would place an additional financial burden on tenants already navigating an uncertain post-COVID commercial market" and deter businesses from leasing office space in North Sydney. The submission continued, "This

[13] Submission numbers 812,822,834,835 and 880 in Council Paper 10.3. Proposed special rate variation for long term financial sustainability, 10 February 2025

proposal will increase outgoings significantly for businesses, making it harder for them to remain competitive in a challenging economic climate."

Pro-Invest Group, which owns 100 Walker Street, said the plan contradicts NSC's own economic development strategy aimed at revitalising the area. "The proposed rate increase will negatively impact tenant affordability, disincentivise businesses from choosing North Sydney as a base, and reduce the attractiveness of the precinct for future investment," it stated. The group further warned, "Council must explore alternative revenue sources rather than placing the entire burden on commercial property owners who are already grappling with rising costs."

Multiple submissions noted that the council's proposed increases run counter to its stated goal of positioning North Sydney as a 'top-tier office precinct'. The property owners have called for alternative financial strategies and are requesting meetings with the mayor and CEO to discuss the potential economic ramifications of the SRV.

3.4 Impact on retail

This rate increase will also adversely affect retail businesses in North Sydney. The number of empty shops in Greenwood Plaza, the main shopping area in the LGA is concerning.
Retail vacancies in Greenwood Plaza have surged from 2% in 2019 to 24% by the end of 2024. The proposed rate increase could further deter tenants, risking higher vacancy rates, which contradicts Council's economic aspirations to revitalize North Sydney CBD.

3.5 Willingness to pay

Council's Informing Strategies represent increased service levels and are discretionary activities. Council's survey conducted between 29 November 2024 and 10 January, indicates 78% of over 1,000 ratepayers said they were NOT willing to pay for the new projects, services, and initiatives in the Informing Strategies.

3.6 In summary

NSC's proposed rate increase has an unreasonable impact on ratepayers.

4. EXHIBITION & ADOPTION OF IP&R DOCUMENTS

The relevant documentation was exhibited. However, as described in section 2 above, Council's public engagement program was not effective.

In addition, as noted elsewhere, there are issues with the LTFP and the Asset Management Strategy. Despite these issues being brought to the attention of Council, they remain unaltered.

Ratepayers have been presented with a fait accompli.

5. PRODUCTIVITY AND COST- CONTAINMENT

5.1 Organisational Improvement Plan Shortcomings

- NSC has illustrated $2,400,000 of savings annually in its Organisational Improvement Plan (page 7) however this has not translated into reduced operational expenditure in the North Sydney LTFP (page 12). Of note, the council appears to be increasing its operational expenditure significantly through to 2035 with no apparent reason, including additional staff and resources.
- The claim of *"a comprehensive program of review and improvement to ensure the effective use of public funds"* is inconsistent with the council's proposed operational budget.
- The *organisational improvement plan* and its proposed savings are inconsistent with the LTFP. There is no indication of Council's intention to reduce operational expenditure.

Improvement Plan Summary[14]		Comment
Past	$3,694,725	**Organisational Realignment** $2,300,000 listed as a cost saving. However, this represented management level salaries which were reallocated into other areas. The CEO advised the Combined Precincts Committee in April 2024 that the organisational restructure did not provide any cost savings.
Present	$l,l60,000	**NSOP Business Plan**: The business plan for the redeveloped facility forecasts an increase in revenue of $1,080,000. However, i) The Business Plan in LTFP (LTFP) P48 shows a 3-year Operating Break-even and 3-Year Total Centre loss of $11.2M. ii) The 10-year Projections (extracted from the Risk Analysis) show a 3-Year loss of $12.2M and +$25M loss over the 10-year horizon based on target operating assumptions.
Future	$2,400,000 (ongoing)	**Systems Review** The systems review forecasts a saving of $1M. However, Council's 'Governance Strategy' outlines a $900k, 3-year Enterprise Resource Planning (ERP) project, which seems inadequate and needs a thorough review before proceeding. It is unclear how this relates to the Systems Review **Other Future Improvements** Lack detail
One - off	$5,000,000	Land not identified. Council has rejected community suggestions of land sales
Total	$7,254,725/year plus	

[14] Source: Organisational Improvement Plan

5.2 Cost savings from new initiative are questionable

There are no concrete savings proposals. Initiatives like process mapping, structural re-alignment and service review framework do not guarantee financial savings or service improvements. These should be spelt out and quantified in the LTFP. There is insufficient detail provided to assess its merits. If there is an efficiency saving, this should be more clearly described and quantified. There is insufficient detail provided in the LFTP to provide feedback.

NSC has not set out to contain any of its costs – rather it seeks to dramatically increase them. There has been no concrete improvement offered to its organisational productivity. In fact, the reverse is the case, where operating and capital costs are proposed to increase. Council has not proposed other options such as the sale of underperforming assets, accessing low interest Treasury loans to fund capital expenditure. It is unrealistic and unreasonable that costs are proposed to significantly increase while at the same time claiming a financial emergency, expecting the ratepayers to fund steep increases to revenues without Council reining in expenditure.

5.2.1 Organisational realignment

Despite that the organisational realignment has been operational for 2 years, cost savings have not been disclosed in the LTFP. Ongoing monitoring and reporting of Key Performance Indicators (KPIs) are essential to ensure that the realignment continues to lead to a long-term reduction in operating expenses.

5.2.2 Process mapping

The scope of the “process mapping initiative” should be determined by a cost-benefit analysis of the proposed changes rather than employing personnel to achieve “1000 over time” (LTFP page 9). A fiscally responsible business would prioritise process changes based on monetary impact and complexity, considering the costs involved in implementing these changes. This would determine which changes are most worthwhile, with a clear cutoff point where the return on implementing the change diminishes. By focussing on a number of processes, the initiative risks becoming an exercise in process for process's sake and will diminish the impact of any cost saving program.

5.2.3 Other initiatives

The cost savings associated with the introduction of initiatives such as the “new service level review framework”, “service unit planning”, “development and performance framework”, and “new workforce strategy” (LTFP, page 9) are not specified. Additionally, these changes would likely add to the complexity of the council’s operations, potentially requiring more resources and time to implement effectively. Without a detailed breakdown of expected savings and a clear plan for managing the increased complexity, it is difficult to assess whether these initiatives will deliver a net benefit or simply add administrative burden.

5.3 Productivity Shortcomings

NSC has repeatedly failed to implement asset and system productivity measures, either through mismanagement or inaction. Before seeking an SRV, it should first demonstrate competence in maximising its existing revenue opportunities.

In 2022, Council awarded a nine-year contract to JCDecaux for the installation of 54 digital advertising panels and street furniture. Three years into the contract, Council processes have obstructed all but six installations, jeopardising what JCDecaux representative David Watkins estimated on February 10 as $20 million in potential revenue over six years—sufficient to offset projected declines in other revenue streams.

Council's IPART submission cites falling parking revenue as a justification for the SRV but fails to acknowledge its own role in the decline. The rollout of a new parking system in mid-2024, which attracted national media scrutiny, made parking more difficult for many users. The app-based system was confusing or inaccessible for a significant cohort, necessitated the continued employment of rangers despite NSW's transition to a ticketless fine system, and actively reduced revenue potential by allowing users to time and pay for their stays in real-time increments. Rather than improving revenue productivity, Council has reduced it as a design feature.

Another example of neglected revenue potential is North Sydney Oval, one of Australia's most iconic sporting venues. Council's IPART submission includes $31 million in unspecified works for the Oval, yet it has never attempted to secure a naming rights sponsor—unlike some 110 sporting venues across the country, including in smaller markets such as Queanbeyan, Goulburn, Brookvale and Concord. This is despite the Oval hosting nationally broadcast women's cricket and major metro rugby league and union matches. Even a Council-selected 42-member focus group, hand-picked for demographic alignment, overwhelmingly supported greater commercialisation of assets, with 89% endorsing naming rights sponsorship. By contrast, support for rate rises was in the mid-60s. Council has selectively used this group's input to justify its SRV request while ignoring its clear preference for asset productivity measures. Tier 1 venues typically secure at least $2 million per year in sponsorship revenue, and North Sydney Oval, with its national profile, could reasonably expect a significant proportion of this.

Further evidence of Council's failure to maximise assets is its handling of the Ward Street North Sydney car park, located above the Victoria Cross Metro station. Council reclaimed this three-storey site in 2020 after a 50-year lease with Wilson Parking expired. In 2016, it was valued at over $80 million for development potential—an amount that has likely increased with Metro-driven demand. Yet Council insists on retaining it for a vague "master plan" for a pedestrian plaza. Notably, this plaza is absent from the extensive list of initiatives slated for funding or development under the proposed $550 million SRV over the next decade. This suggests no real intention to generate any form of commercial or social value from the asset, despite its prime location within a mixed-use zone and alignment with state planning priorities for urban development.
Collectively, these examples indicate that Council is willingly forgoing at least $100 million in revenue—and likely much more—over the next six years. Its track record demonstrates a lack of seriousness in pursuing greater asset productivity, calling into question the necessity of an SRV.

5.4 Efficiency shortcomings

The LTFP does not seem to address efficiencies associated with reducing project cycle time. For example, the delay in completion date for North Sydney Olympic Pool represents 12 months of lost revenue (approx. -$1.5M). Despite project cost overrun and delays, the decision to spend an additional $250k on the café and gelato bar at the NSOP further increases costs and delays. Delays in project completion result in assets that are not generating revenue as planned, which in turn leads to additional costs for ratepayers to maintain cash flow.

6. IN CONCLUSION

There is no quantifiable evidence that NSC has implemented a continuous improvement framework to identify and implement ongoing productivity and cost containment strategies.
In the future ratepayers should be provided with clear disclosure that the council has taken concrete steps to address inefficiencies, reduce unnecessary expenditure, and implement stronger financial oversight before seeking an SRV.

It is essential that Council focus on delivering necessary services, funding capital works, and maintaining a skilled workforce. This SRV proposal is undermined by the lack of strategic clarity and sound financial planning.

The community will support NSC if it demonstrates professionalism, transparency, and visionary leadership. To regain trust, the Council must act with integrity, clearly outline achievable goals, and demonstrate how it plans to meet those goals with the available resources. For these reasons, NSC's application for an IPART approved rate increase must be refused.

Robert Stitt KC
Chair Lavender Bay Precinct Xx March 2025

Lavender Bay Precinct[15] is part of the North Sydney Precinct System. Whilst under the auspices of North Sydney Council, it is independent from the Council in its activities and decision-making. Precinct Committees are run by residents and provide feedback to Council in an advisory capacity.

[15] https://www.northsydney.nsw.gov.au/homepage/113/lavender-bay-precinct