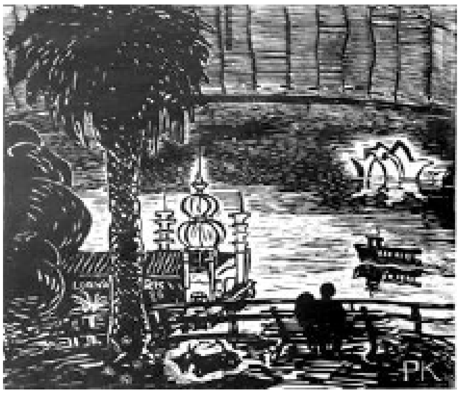

Sketch by renowned late artist Peter Kingston

Lavender Bay Precinct

Submission to IPART

Lavender Bay Precinct believes North Sydney Council (NSC) fails to meet IPART's conditions for the granting of a Special Rate Variation (SRV) and/or increase in minimum rates. For reasons detailed in this submission, NSC's application for an IPART approved rate increase must be refused.

Further information
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Secretary, Lavender Bay Precinct
Email: jtreet@bigpond.net.au

10 March 2025

EXECUTIVE SUMMARY

We believe North Sydney Council (NSC) fails to meet IPART's conditions for the granting of a Special Rate Variation (SRV) and increase in minimum rates. For reasons detailed in this submission, NSC's application for an IPART approved rate increase must be refused.

Contents

1. FINANCIAL NEED

1.1 Unsustainable financial position

Since 27 November 2024, North Sydney Council (NSC) has advised ratepayers that it is in an unsustainable financial position. NSC 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." NSC's Financial Statements and Budget Reviews suggest otherwise.

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

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

- its cash and investment position was $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 NSC'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.

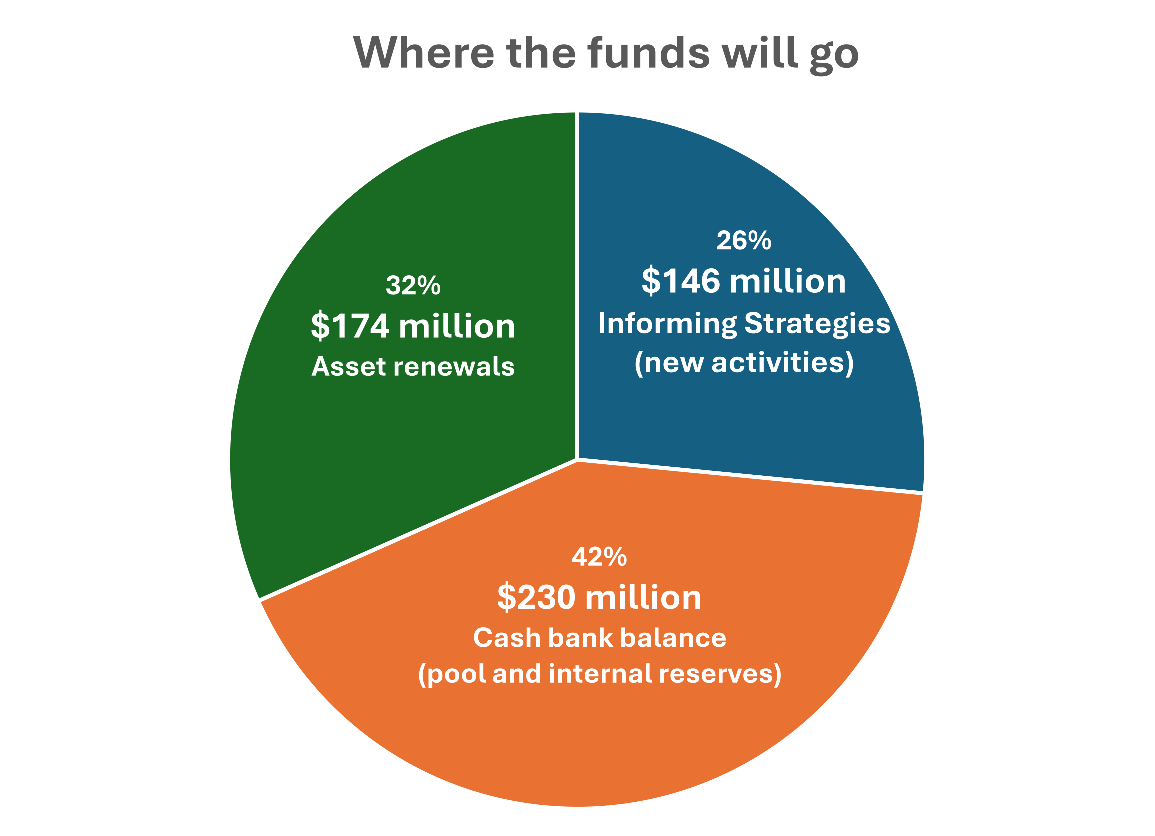
In addition, the Investment and Loan Borrowings Report as of 31 December 2024 and 31 January 2025 reported returns on investments exceeded the January YTD budget by $1,357,000.

NSC expects to have an operating surplus of $6.5m to $8.5m cash p.a. for the next 10 years. Without the SRV and/or change to minimum rates, NSC will add $67m to its cash position. If this is the case, there is no justification for an SRV and/or change to minimum rates.

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

1.2 Where the funds will go

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



NSC plans to spend these funds as follows:

- The SRV will generate an extra $550m 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, 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 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 NSC's Report on Infrastructure Assets for the year ending 30 June 2024 was conducted by Dr David Bond, an expert in accounting and financial reporting. Dr Bond presented his findings in an online video: https://youtu.be/sFTdUSM_GJo.

Dr Bond identified that up to $100 million of NSC's reported financial issues arose from a revised definition used to calculate the estimated cost to bring assets to a satisfactory position for FY24, a key input into the Infrastructure Backlog Ratio (an indicator used to justify rate increases). In FY24, NSC calculated this cost as the full renewal cost of both Category 4 and Category 5 assets. In previous years, it was based only on the full renewal cost of Category 5 assets. The revised definition increased the reported cost by approximately $100 million compared to the method used in all prior years up to FY23. Under the previous method, the cost would be $45.68 million rather than the reported $146 million.

This change is not disclosed in NSC's FY24 Report on Infrastructure Assets (included in its financial statements for the year ending 30 June 2024) or in its Long-Term Financial Plan (LTFP). While the FY24 report labels the 2023 and 2022 figures as "Restated" in column headings, it does not explain what was restated or why. The change only becomes apparent when comparing the figures and footnotes in the FY23 Report on Infrastructure Assets (contained in NSC's financial statements for the year ending 30 June 2023) with the corresponding section in the FY24 report.

NSC's failure to disclose this significant change when discussing infrastructure backlogs or presenting the Infrastructure Backlog Ratio is concerning. In financial reporting, any methodological change with a material impact—such as a $100 million shift—should be clearly disclosed and explained.

Failing to disclose this change while using its outputs to justify rate increases undermines good governance and raises ethical concerns. It also denies ratepayers the opportunity to understand the true drivers of the cost increase, eroding transparency and trust.

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

In NSC's FY23 Report on Infrastructure Assets, only 3.2% of assets in the building's asset class (measured as a percentage of gross replacement cost) were classified as Category 4 and 5. However, in FY24, this proportion increased more than sixfold to 20%. This substantial increase directly impacts the Infrastructure Backlog Ratio, which is being used to justify rate rises. NSC has not provided any explanation for this change.

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

1.3.3 The Asset Management Strategy 2025-2035

The Asset Management Strategy 2025–2035, presented to NSC on 10 February 2025, states under Service Demand and Satisfaction (page 31):

"Ultimately, setting service levels should be done in conjunction with the community."

It further notes:

"NSC 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 2025–2035 states that NSC received over 1,000 responses to the Special Rates Variation survey, conducted between 29 November 2024 and 10 January 2025. Of these, 262 responses specifically mentioned the revised Asset Management Strategy. Only 17 respondents (approximately 6.5%) expressed general support for the revisions, meaning 93.5% objected to NSC's changes to asset renewal service levels (see discussion in section 1.3.1).

While NSC's Asset Management Strategy asserts that service levels should be developed in consultation with the community, the survey results indicate that NSC does not have community support for altering asset renewal service levels.

1.3.4 NSC's revised definition is double that of other metropolitan councils

A comparison with other metropolitan councils shows that NSC has adopted a definition that differs significantly from standard practice across Sydney. On average, NSC's estimated cost to bring assets to an agreed level of service is more than twice that of other Sydney metropolitan councils.

1.3.5 Absence of approval and transparency

NSC executives did not seek approval to broaden the definition, nor did they inform the community of the reasons for the significant increase in infrastructure reporting. The change only came to light during the consultation period between 29 November 2024 and 10 January 2025. This lack of transparency has led to a loss of community confidence and trust in NSC's calculations.

1.3.6 NSC did not consider community feedback on 10 February 2025

Despite a lack of community support, NSC approved the Asset Management Strategy 2025–2035, along with the Long-Term Financial Plan and the Special Rate Variation application, at its meeting on 10 February 2025.

Of the 44 registered speakers at the meeting, only two spoke in favour of NSC's proposals, one supported advertising (see section 1.10, User fees and charges), and 25 spoke against the proposals. The remaining registered speakers were evidently unable to attend due to a lack of space in the meeting venue.

The meeting concluded at 11:06 pm on 10 February. NSC uploaded the minutes before midnight on the same day, and its SRV application is also dated 10 February.

The Independent Pricing and Regulatory Tribunal requires 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 NSC, and
- for the NSC to then consider this feedback."

NSC's actions suggest it had no intention of meaningfully considering community feedback. The meeting appeared perfunctory, reflected in the dismissive attitude of the Mayor and some Councillors toward the speakers and community members who wished to attend but were excluded. Additionally, the minutes uploaded to IPART's website differ from those on NSC's website[3]. The version provided to IPART omits any record of the presence or contributions of public speakers.

1.4 The North Sydney Olympic Pool

1.4.1 Lack of financial awareness

A prudent financial approach and accepted accounting practice distinguishes capital expenditure from recurrent expenditure. Capital expenditure should be financed through grants,

[3] https://www.northsydney.nsw.gov.au/ecm/download/document-11398694

loans, or the sale of non-community assets and repaid through revenue generated from the asset's utilisation.

The North Sydney Olympic Pool (NSOP) is a capital investment. Under standard business practice, its funding should rely on long-term financing or the sale of other capital assets.

Planning to fund a non-recurring expense through recurring revenue—such as a permanent rate rise—demonstrates a lack of financial prudence and does not align with sound financial management principles.

1.4.2 Lack of transparency with pool overruns

In April 2023, following a report by PricewaterhouseCoopers, the Mayor stated in an open letter to the community that current estimates suggested an additional $25–30 million would be required to complete the pool redevelopment, bringing the total cost to between $95.7 million and $105.7 million.

However, a new NSC report now lists the overall cost at $122 million without explaining the additional $30 million increase, raising concerns about transparency in project budgeting.

1.4.3 Governance strategy

In 2024, 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[4].

Shane Sullivan, who served as NSC's Executive Governance Manager from July 2021 to September 2023, is a highly regarded governance professional and was a finalist in the 2023 Governance Top 100.

Given her tenure, it is reasonable to expect that NSC had established procedures for managing major capital works. It is implausible that a comprehensive governance strategy was not already in place during her time at the NSC.

In November 2023, Sullivan joined Morrison Low, the consultancy advising NSC on the Special Rate Variation.

It 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 "*NSC has effectively reduced its corporate risks and can be confident that any resulting contract was arrived at correctly, legitimately and fairly*".

The current Mayor and a cohort of supporting Councillors assumed office in December 2021, and during their tenure the pool has increased in cost from $63.9M to over $122M.

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[4] 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. NSC's SRV takes NSC'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%	4.08%	2.75%
	Infrastructure backlog ratio: changed definition		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: changed definition				$146 M	$146M

1.5.1 Operating Performance Ratio

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

1.5.2 Own source operating revenue

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

1.5.3 Unrestricted current ratio

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

1.5.4 Debt service cover

NSC'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

NSC continues to exceed the benchmark.

1.5.6 Cash expense cover ratio

NSC 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%[5].

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

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

[5] https://www.yourNSC.nsw.gov.au/nsw-overview/assets/

1.6 Other revenue options not contemplated

NSC claims that extensive community engagement and consultation played a central role in shaping its Special Rate Variation. However, the facts do not support this assertion. NSC has consistently disregarded community feedback (see section 2.2, NSC ignored community feedback).

The Long-Term Financial Plan is both complex and incomplete. It presents a limited set of four similar options, without considering alternative revenue measures such as asset sales, sponsorships, grants, or loans. There is no evaluation of these options, despite their potential to reduce the financial burden on ratepayers.

Several strategies could mitigate the impact of the rate increase but implementing them requires a willingness to explore alternatives. NSC, however, appears solely focused on shifting the cost burden onto ratepayers.

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 NSC on 27 November 2024.[6]

1.6.2 Cost control / Spread projects out further:

NSC should cut its own spending first before asking residents and businesses to pay more. But instead, NSC 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 in line with accepted accounting practice. NSC speaks generally about 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 NSC 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 NSC expenditure growth assumptions. Modelling should either use lower wage growth assumptions or add annual ongoing productivity savings which reduce projected NSC expenses. NSC 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, planned large capital works could be better funded through long-term, low-interest Treasury loans.

[6] NSC 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

The NSC appears reluctant to pursue divestment of any underperforming assets that don't fulfil NSC purpose within NSC's $53.7 million investment portfolio. At the very least it has not identified any assets it could liquidate.

1.6.7 Maximise revenue from existing assets

The NSC forfeits millions of dollars in revenue annually by not capitalising on the revenue potential of its assets. Examples include potential 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 in stasis 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 Council area includes the state government's 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 NSC'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. There are other developments also taking place. The LTFP appears to exclude forecasts of the additional rate revenue which this will generate.

1.7 Invalid rate comparisons

1.7.1 Minimum rates

NSC compared its minimum residential rate increase with nearby councils like Willoughby and Mosman, which lack CBDs, using those comparisons to justify the SRV. By way of example, North Sydney currently earns 10 times the business rates revenue of neighbouring Mosman and over 3 times that of Lane Cove. Increasing both residential and business rates by 87% clearly leads to excess gains overall.

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

A comparison of North Sydney's 2024–25 revenue with that of similar councils shows that its total revenue is currently in line with others. However, if the Special Rate Variation application is approved, North Sydney's revenue would exceed that of comparable Councils. No justification has been provided for this disparity.

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. NSC has not provided a qualitative assessment.

1.8 The Long-Term Financial Plan

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

In 2024, the NSC revised its eight 'needs' strategies without considering their cost implications, causing the LTFP to lag. Local Government Integrated Planning and Reporting (IP&R) 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

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

1.9.1 Not fit for purpose

A key weakness of NSC's Special Rate Variation proposals lies in its strategic plans (Informing Strategies), which are fundamentally flawed.

These plans consist largely of rhetorical statements, lacking meaningful tactical or operational detail. They provide no substantive cost planning evidence and fail to outline how objectives will be achieved. Furthermore, the reported cost planning accuracy is classified as extremely high risk, making the strategies unfit for aligning realistic goals with clearly defined resources, allocated funding, and the necessary expertise to execute them.

1.9.2 Discretionary projects in a "financial crisis"

Presenting these eight informing strategies while simultaneously declaring a 'financial crisis' is contradictory. It highlights a lack of discipline, focus, and prioritisation in NSC's approach.

What is needed are clear, measurable financial and performance metrics to strengthen NSC's financial position—yet none have been provided.

NSC must take responsibility for developing sustainable financial and operational plans. Rates should be set based on actual financial needs.

1.9.3 Willingness to pay

When seeking to justify the financial need for discretionary activities, Councils should demonstrate ratepayer support through a willingness-to-pay study.

In a survey conducted by NSC between 29 November 2024 and 10 January 2025, with over 1,000 ratepayer responses, 78% indicated they were not willing to pay for the new projects, services, and initiatives proposed in the Eight Informing strategies.

Before undertaking any ambitious expansion of services, NSC must first stabilise its finances and return to surplus.

Ratepayers question why they should commit to funding expanded programs when NSC is already struggling to deliver existing projects efficiently in both time and cost.

1.10 User fees and charges

NSC claims that user charges and fees have not returned to pre-COVID levels due to societal and market changes, citing a decline in revenue from parking fees and advertising.

However, in the case of parking revenue, NSC fails to acknowledge its own role in the decline. Parking revenue had been steadily increasing from 2022 until June 2024. The introduction of a new parking system in mid-2024—which attracted national media scrutiny—made parking more difficult for many users. The app-based system proved confusing or inaccessible for a significant portion of users and actively reduced revenue potential by allowing real-time, incremental payments rather than fixed-duration fees. Instead of improving parking meter productivity, NSC's changes have reduced it.

Regarding advertising revenue, in 2022, NSC awarded a nine-year contract to JCDecaux for the installation of 54 digital advertising panels and street furniture. Three years into the contract, NSC's own processes have obstructed all but six installations, jeopardising what JCDecaux representative David Watkins estimated on 10 February as $20 million in potential revenue over six years—an amount 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

NSC did not canvas alternatives to the rate rise. See section 1.6 "Other revenue options not contemplated" above.

1.12 Community does not need/desire NSC projects

The evidence indicates no clear community need or desire for NSC's proposed service levels and projects.
The 2023 Community Satisfaction Survey found that 92% of residents were satisfied with the current level of service being delivered (see section 1.3.3, The Asset Management Strategy 2025–2035).
Additionally, a NSC survey conducted between 29 November 2024 and 10 January 2025 showed that 93.5% of over 1,000 respondents objected to the revised Asset Management Strategy.
The same survey found that 78% of respondents did not support the Eight Informing Strategies (see section 1.9, The Eight Informing Strategies).

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 holiday period is unacceptable and contradicts best practice for local government consultation. This timing restricts the broader community's ability to review the extensive material associated with the proposed SRV.

The consultation involved more than eight significant and complex documents requiring thorough consideration. The growing number of FAQs on the survey's consultation page further underscored the engagement strategy's failure to adequately address the complexities of the fiscal proposals.

NSC did not allocate sufficient time for meaningful consultation, particularly given the scale of the proposed Special Rate Variation (SRV). The process lacked the necessary deliberation and timeliness expected for such a significant decision.

2.2 NSC ignored community feedback

The community is central to the Integrated Planning & Reporting (IP&R) framework. Effective engagement depends on a strong partnership between Councils and their communities.

In its application, NSC claims that extensive community engagement informed decisions and aligned them with community priorities. However, the engagement process was performative rather than substantive, with no meaningful consultation.

This is regrettable, as valuable input from individuals with relevant professional expertise and experience was disregarded.

Following consultation, NSC 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 is immaterial.
There is no evidence that NSC considered or implemented community feedback.

2.2.1 Input from over 800 Submissions ignored

Understanding and analysing the Special Rate Variation proposal has been challenging for many ratepayers. Despite this, nearly 900 detailed submissions were made, the vast majority opposing the SRV. Regrettably, the Engagement Outcomes Report and Key Engagement Themes do not accurately reflect the comprehensive feedback from the community. There is little evidence that meaningful community input was considered by NSC. Instead, public outcry over rate increases led to only minor modifications—changes that weakened the operational plan rather than improved 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 NSC adopted this recommendation from NSC 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 NSC 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, NSC chose not to alter the survey.

2.2.3 Problems with lack of consultation and engagement

At the 10 February 2025 NSC meeting, 44 registered speakers addressed the proposed Special Rate Variation. Of these, two spoke in favour, 25 spoke against, and one—the Co-CEO of a global advertising company—promoted advertising. The remaining registered speakers were unable to attend due to space limitations.

The meeting concluded at 11:06 pm, yet scrutiny of submission records shows that North Sydney NSC uploaded its minutes and other parts of its application to IPART between 11:06 pm and midnight on the same night. This timeline indicates that NSC could not have meaningfully incorporated community feedback from the meeting into its final submission.

This raises concerns about whether NSC genuinely considered community input before finalising its application. The timing suggests that the feedback was disregarded.

Discrepancies have been identified between the North Sydney NSC minutes published on its website and those submitted to IPART as part of its Special Rate Variation application. The version provided to IPART omits background details and a record of speakers, meaning the tribunal would have no indication that speakers provided feedback—much of it negative—during the 10 February NSC meeting.

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 peers who did not agree with the SRV proposal. Such unseemly behaviour further dented the community's confidence in NSC's leadership. One Councillor was particularly offensive when he said, "*Do North Sydney Councillors really want to present themselves as the entitled Karens of Australia*[7]? In addition, many members of the public, including registered speakers, were turned away from the meeting. The NSC chambers are small and, despite NSC anticipating

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

large attendance and the meeting being webcast, there was no provision to observe the meeting for the large number of ratepayers who wished to attend.

2.2.4 Workshop

On 7 December 2024, NSC conducted a workshop with 42 ‘demographically selected’ residents. However, this group was drawn from the pool which assisted NSC in the development of the Informing Strategies in May/June 2024. The group heard from proponents of the SRV, namely the Mayor and the CEO for several hours, with no devil’s advocate. Significantly, about half the sample were not rate payers.

2.2.5 Media

NSC advertised in two local newspapers, Mosman Daily and North Shore Times, both of which have large circulation overhangs in other LGAs resulting in inefficient audience targeting. NSC did not advertise in other local newspapers such as North Sydney Living and North Sydney Sun. 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.

2.3 Lack of clarity

NSC has NOT clearly and transparently communicated the full impact of the proposed rate increases to ratepayers. NSC’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. NSC’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 be closer to $2,300 due to DWMC and SWMC. NSC 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 NSC 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 had already been made regardless of community opinion.

2.5 Ratepayers taken by surprise

It is perplexing that NSC reported a surplus in June 2024, yet six months later declared its financial position unsustainable. No mention of a financial crisis was made before or during the September 2024 local NSC elections. The alleged crisis was first disclosed at the 27 November 2024 NSC meeting.

Additionally, NSC appointed Morrison Low on 19 September 2024—just five days after the 14 September election, while votes were still being counted and before the new NSC was sworn in. This raises concerns about whether the Chief Executive shared this information with the Mayor and councillors.

A review of NSC minutes shows no discussion of the NSC's finances between the March Quarterly Report and November 2024.

Given that NSC was in caretaker mode on 19 September, it is unclear under whose authority approval was granted to engage Morrison Low and proceed with the SRV application process.

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".

Council appears to speak with two voices on efficiencies depending on the audience. In its formal documentation around the SRV application (page 81, Attachment 23), it offers the possible closure of its community bus service for seniors as a potential source of cost savings. But in its SRV FAQ for ratepayers on its website, it indicates that it is reluctant to cancel services because public pressure usually leads them to being restored.

2.7 In summary

The engagement process as described heavily infers 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. NSC's decision-making was neither transparent nor inclusive. As such, the community was not fully aware of the implications of NSC's proposed rate increase.

NSC's consultation with ratepayers was NOT effective.

3. IMPACT ON RATEPAYERS

3.1 NSC relied on highly aggregated measures

NSC relies on its consultant's report[8] to conclude ratepayers (residents and businesses) have the capacity to pay the rate increase. There is no evidence that NSC 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.

NSC 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 one 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 the community with core NSC services such as rubbish collection, local roads and open space upkeep.

[8] NSC Paper 10.3.5 Capacity to Pay, Morrison Low, presented to NSC on 10 February 2025

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

3.3 Impact on business

Many property owners in their submissions[9] to NSC criticised the rate rise. The North Sydney Sun summarised the issue on 4 February 2025[10].
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 NSC'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 NSC'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 NSC'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."

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[9] Submission numbers 812,822,834,835 and 880 in NSC Paper 10.3. Proposed special rate variation for long term financial sustainability, 10 February 2025
[10] https://tinyurl.com/mvu8nzr7

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 NSC 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 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, “NSC 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 NSC’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 NSC’s economic aspirations to revitalise North Sydney CBD.

3.5 Willingness to pay

NSC’s Informing Strategies represent increased service levels and are discretionary activities. NSC’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, NSC's public engagement program was not effective.

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

Ratepayers have been presented with a fait accompli.

5. PRODUCTIVITY AND COST- CONTAINMENT

5.1 Organisational Improvement Plan Shortcomings

- NSC has claimed $2.4m 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 NSC appears to be increasing its forecast 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 NSC's proposed operational budget.
- The Organisational Improvement Plan and its proposed savings are inconsistent with the LTFP. There is no indication of NSC’s intention to reduce operational expenditure.

Improvement Plan Summary[11]		Comment
Past	$3,694,725	**Organisational Realignment** $2.3m 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, NSC’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. NSC has rejected community suggestions of land sales such as Montford Place, a Cremorne cul-de-sac currently used solely for a school.
Total	$7,254,725/year plus	

[11] Source: Organisational Improvement Plan

5.2 Cost savings from new initiatives are questionable

The Long-Term Financial Plan lacks concrete savings proposals. Initiatives such as process mapping, structural re-alignment, and the service review framework do not guarantee financial savings or service improvements. These measures should be clearly defined and quantified within the LTFP to allow proper assessment. If efficiency savings exist, they should be explicitly detailed and measured.

NSC has not taken steps to contain its costs; instead, it seeks to significantly increase them. No concrete improvements have been proposed to enhance organisational productivity. In fact, the opposite is true—both operating and capital costs are set to rise.

NSC has also failed to explore alternative options such as selling underperforming assets or accessing low-interest Treasury loans to fund capital expenditure. It is unrealistic and unreasonable to propose substantial cost increases while simultaneously declaring a financial emergency and expecting ratepayers to absorb steep revenue hikes without any effort to rein in spending.

5.2.1 Organisational realignment

Despite the organisational realignment being in place for two years, no cost savings have been disclosed in the Long-Term Financial Plan. Ongoing monitoring and Key Performance Indicator reporting are essential to ensure that the realignment delivers a long-term reduction in operating expenses. Without transparency on cost savings, its effectiveness remains unclear.

5.2.2 Process mapping

The scope of the process mapping initiative should be determined by a cost-benefit analysis rather than by an arbitrary target such as achieving "1000 over time" (LTFP, page 9). A fiscally responsible organisation would prioritise process changes based on monetary impact and complexity, ensuring that implementation costs are justified by measurable benefits.

A structured evaluation would identify the most worthwhile changes and establish a clear cutoff point where the return on investment diminishes. Without this, the initiative risks becoming a bureaucratic exercise, prioritising process for process's sake rather than delivering meaningful cost savings.

5.2.3 Other initiatives

The cost savings associated with 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 are likely to increase operational complexity, potentially requiring more resources and time to implement effectively. Without a detailed breakdown of expected savings and a clear plan for managing this complexity, it is difficult to determine 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, whether due to mismanagement or inaction. Before seeking a Special Rate Variation (SRV) or increase in minimum rates, NSC should first demonstrate competence in maximising existing revenue opportunities.

5.3.1 Obstructed advertising revenue

As noted in section 1.10 above in 2022, NSC awarded a nine-year contract to JCDecaux for the installation of 54 digital advertising panels and street furniture. However, three years into the contract, NSC processes have obstructed all but six installations, jeopardising what JCDecaux representative David Watkins estimated on 10 February as $20 million in potential revenue over six years—an amount sufficient to offset projected declines in other revenue streams.

5.3.2 Self-inflicted parking revenue losses

NSC's IPART submission cites falling parking revenue as 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 group and actively reduced revenue potential by allowing users to time and pay for their stays in real-time increments.

Worse, the system was designed for ticketless fines, only for this approach to be invalidated by a well-flagged State Government mandate requiring ticketed fines. As a result, NSC had to re-hire rangers. Rather than improving revenue productivity, NSC effectively reduced it by design.

5.3.3 Unrealised commercial potential of North Sydney Oval

Another example of neglected revenue opportunities is North Sydney Oval, one of Australia's most iconic sporting venues. NSC's IPART submission includes $31 million in unspecified works for the Oval, yet it has never attempted to secure a naming rights sponsor—a common strategy used by at least 110 sporting venues across Australia, including 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 NSC-selected 42-member focus group—hand-picked for demographic alignment—overwhelmingly supported greater commercialisation, with 89% endorsing naming rights sponsorship. Support for rate rises was lower.

Yet NSC selectively used this group's input to justify its SRV request while ignoring its clear preference for asset productivity measures. Tier 1 venues typically generate at least $2 million per year in sponsorship revenue. Given North Sydney Oval's national profile, it could reasonably expect a significant share of this.

5.3.4 Failure to capitalise on prime real estate

Further evidence of NSC's failure to maximise assets is its handling of the Ward Street North Sydney car park, located above the Victoria Cross Metro station.

NSC reclaimed this three-storey site in 2020 after a 50-year lease with Wilson Parking expired. In 2016, the site was valued at over $80 million for development potential—a figure that has likely increased due to Metro-driven demand.

Yet NSC insists on retaining the site for a vague "master plan" for a pedestrian plaza. Notably, this plaza is absent from the extensive list of initiatives slated for funding under the proposed $550 million SRV over the next decade.

This suggests no real intention to generate commercial or social value from the asset, despite its prime location in a mixed-use zone and its alignment with state planning priorities for urban development.

5.3.5 At least $100 million in lost revenue

Collectively, these examples indicate that NSC is willingly forgoing at least $100 million in revenue—likely much more—over the next six years.

NSC's track record demonstrates a lack of seriousness in pursuing greater asset productivity, calling into question the necessity of an SRV and/or increase in minimum rates.

5.4 Efficiency shortcomings

The Long-Term Financial Plan does not appear to address efficiencies related to reducing project cycle time.

For example, the 12-month delay in completing the North Sydney Olympic Pool (NSOP) has resulted in approximately $1.5 million in lost revenue. Despite cost overruns and delays, NSC approved an additional $250,000 for a café and gelato fit-out at NSOP, further increasing costs and prolonging completion.

Project delays mean that assets are not generating revenue as planned, leading to additional costs for ratepayers to maintain cash flow. Without a focus on timely project delivery, these inefficiencies place further strain on NSC's finances.

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 NSC has taken concrete steps to address inefficiencies, reduce unnecessary expenditure, and implement stronger financial oversight before seeking an SRV.

It is essential that NSC 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, NSC 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

and Sub Committee of Lavender Bay Precinct

10 March 2025

Lavender Bay Precinct[12] is part of the North Sydney Precinct System. Whilst under the auspices of North Sydney Council, it is independent from the NSC in its activities and decision-making. Precinct Committees are run by residents and provide feedback to NSC in an advisory capacity.

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