



FELICITY *Wilson*
MEMBER FOR NORTH SHORE



Monday 24 March 2025

Carmel Donnelly PSM
Chair
Independent Pricing and Regulatory Tribunal (IPART)
GPO Box 5341
SYDNEY NSW 2001

Submission on North Sydney Council's application for a Special Rate Variation and minimum rate increase

Dear Chair

Thank you for the opportunity to make a submission on North Sydney Council's application for an 87.05% Special Rate Variation and an increase in the minimum rate from \$715 to \$1,548 by 2026 for residents and \$1,806 for businesses.

This is an extraordinary application from North Sydney Council for an almost doubling of rate revenue for residents and businesses. It occurs during a cost-of-living crisis, during a period of persistently high interest rates and record high rents, and all while Council has an ongoing issue of budget overruns and project delays associated with the major upgrade of North Sydney Olympic Pool.

The overwhelming sentiment of the community is strong opposition to the proposed rate rise. I have received feedback from thousands of constituents (more even than Council's own consultation), and this has been the most unifying issue with the highest engagement from constituents in my eight-year tenure as the Member for North Shore.

Residents' concerns centre around affordability and the impost on those already impacted by the ongoing cost-of-living crisis; the view that Council has demonstrated financial mismanagement; a lack of confidence in Council taking on more large projects which could be financially mismanaged; that Council has not considered cost savings or efficiencies; that the increase is not needed; distrust due to the lack of transparency about the rate rise proposal during the 2024 local government elections; anger about the flawed consultation process; and the perception that



Council pushed ahead and did not listen to community feedback even with their own consultation.

This submission will focus on responding to the criteria which IPART utilises to assess these applications, incorporating feedback from individuals, organisations, and businesses from across the electorate of North Shore. Many of these views were provided through an open community survey, and I have attached a full record of all feedback. I ask that this attachment be treated as a confidential and redacted from my public submission, as the thousands of contributors have not explicitly provided their consent for their submissions and comments to be made public.

1. Financial need and Council's financial position

North Sydney Council has argued that the proposed rate increase is necessary to address an "unsustainable financial position" including cost overruns on the North Sydney Olympic Pool, and to fund a massive increase in spending on new projects through its new 10-year plan.

While IPART does not require a Council to be in financial strife in order to approve an SRV, it does require Council to justify the need for additional revenue and IPART must assess whether this is a genuine need, and whether the community has requested that the additional services and infrastructure be delivered. In North Sydney Council's case, the claim that additional revenue is required to fix Council's financial position is questionable, and the additional revenue sought for new projects has not been requested by the community, and is not supported.

Council has reported contradictory statements about its financial position in official documents over recent years, leading to concerns by residents over lack of transparency or poor financial management.

After reporting a net operational surplus of \$13 million in its *General Purpose Financial Statements* in June 2024, along with a *Draft Operational Plan & Budget 2024/25* released in April 2024 that committed Council to only needing to raise rates by 5%, only months later in November 2024 North Sydney Council suddenly identified after the local government elections had come and gone that it was in an "unsustainable financial position" and proposed to more than double residential and business rates starting in 2025.

The Council's 2024 *Financial Statements* signed off by the Council executive and elected Councillors identified no financial challenges for the Council just months before the SRV was proposed. Even the ongoing saga of the mismanagement of the North Sydney Pool redevelopment did not trigger any financial warning – and the



Council had commissioned analysis by PwC, the final report of which had been received in December 2022.

In its December 2024 *Quarterly Budget Review*, Council reported a cash and investment position of \$141 million, just \$3 million less than the previous year despite a \$50 million overrun on the cost of the North Sydney Olympic Pool. The Review also indicated an increase in the operating surplus to \$4.2 million, with a net increase of \$17.961 million forecast for Council's cash balances. Council plans now to take out a further \$10 million loan, delay capital works by \$5.5 million, and adjust its operating result to reflect these changes.

Council's debt stands at around \$60 million, with nearly \$28 million not due to be paid off until 2042. Even with these debt obligations, Council's forecast suggests that it will maintain an annual operating surplus of between \$6.5 million and \$8.5 million for the next 10 years. Even without the additional revenue of the proposed SRV, Council is expected to add \$67 million to its cash reserves.

There is a view from ratepayers that Council's financial position is far from "unsustainable," and that the increased revenue sought of about \$550 million over ten years in an unnecessarily large sum, particularly of cash reserves, for the Council to seek to raise.

1.1 Rate peg

There is broad discussion about whether the rate peg is the best way to balance the needs of Councils to fund services and infrastructure, while balancing prudent financial imposts on ratepayers. North Sydney Council in its submission states that the rate peg of 4% for 2025-26 is insufficient to meet its needs.

However, significant work is done to designate individual rate pegs for each council – with North Sydney's set at 4 % - which is already above CPI. There's already a recognition that costs are increasing above CPI and there is a built in capacity for Council to increase rates in line with the rate cap over the next two years rather than have an SRV.

1.2 2019 approved SRV

In 2019, Council applied for an SRV of 7% per annum for 5 years inclusive of the annual rate peg and a minimum rate increase, representing a cumulative increase of 40.3%.

IPART partially approved NSC's proposed SRV for a 3-year period from 2019-20 to 2021-22.



If Council has not utilised the full SRV approved in 2019 then they have the ability to access that for 10 years, and Council should be accessing any previously approved SRV rather than requesting a new 87% increase.

1.3 Comparable councils

This application by North Sydney Council is almost unprecedented in metropolitan local government areas. In the neighbouring Willoughby Council, which also has dense residential areas and a large commercial core, a 15% 1 year SRV was approved in 2024-25.

In 2023, Strathfield Council had a 93% SRV approved over a four year period, after not seeking an increase for 25 years and seeing significant densification. This increase occurred after a long period of low rates, and received very limited community opposition. In fact, the current minimum rates in Strathfield would still be lower than North Sydney Council's proposed new minimum rates.

1.4 Need for increase

There is an obligation on any level of government to make decisions in the interest of, and with the imprimatur of, those they are elected to represent and those whose money they are spending. While IPART may not determine what are reasonable expenses for Council to incur, the process requires Council to justify to IPART the "need" for the additional revenue which they are seeking approval for. Therefore, IPART does play a role in weighing up whether the *additional revenue* sought is reasonable and necessary for Council to levy.

North Sydney Council's application includes a range of justifications for this additional revenue, part of which they say is to improve their financial position, part of which they say is to fund continuing unspecified cost overruns on the North Sydney Olympic Pool project, and part of which they say is to fund their new 10-year plan.

1.4.1 New 10-year plan

Much has been made in the media and among community members of Council's proposal to raise an additional \$550 million over the next ten years alone, with approximately \$150 million of that revenue to fund entirely new projects.

Council has allocated 69% of the \$550 million proposed to be raised over the next 10 years to increased expenditure and building cash reserves.

\$174 million has been earmarked to go towards the remaining pool redevelopment and asset renewals (31%), while the rest of the revenue will go towards completely new projects or towards increasing Council’s cash bank balance.

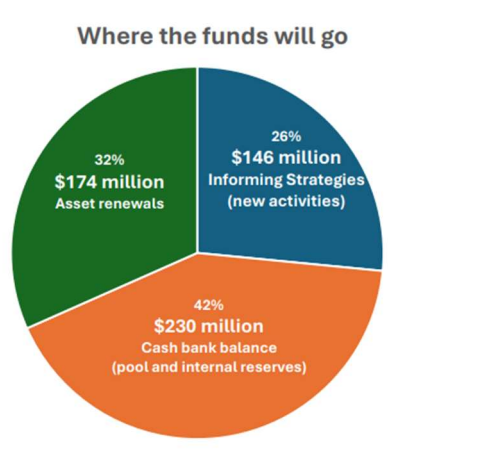


Image: Lavender Bay Precinct IPART Submission p4

Long term planning is prudent for local government to undertake. It’s a process that should flush out community ideas on needs and wants for the local government area, and shape a clear picture of what services and infrastructure are a priority for the community, and how these desired priorities compete for funding along with the capacity and willingness of ratepayers to fund them.

In launching North Sydney Council’s 10-year plan, Council have proposed a massive increase in spending on new projects and a commitment to repair or upgrade existing infrastructure, without ascertaining the support from ratepayers to finance or prioritise these projects or finding alternative cost savings or efficiencies to fund them.

Once the SRV application gained media scrutiny, a key theme in opposition to the rate rise has been the extensive new spends proposed by Council, particularly in light of their inability to effectively manage their existing large infrastructure project of North Sydney Olympic Pool upgrade.

New projects include a \$25 million expansion of Stanton Library and many millions in street art, public art, playgrounds, public domain improvements, which in Council’s own consultation failed to gain community support as needs.

Ratepayers have asked that IPART not approve any increase in rate revenue for North Sydney Council to fund new projects until they have satisfactorily completed the pool project. While many of the new projects proposed are seen as nice to have

by the community, they are seen as wants and not needs, and community members overwhelmingly oppose being taxed further to fund unnecessary initiatives.

1.4.2 Asset renewal and repairs

Ratepayers acknowledge that there is need for repairs and maintenance, but don't need the proposed magnitude of new revenue. Analysis by Dr David Bond has demonstrated that North Sydney Council's reclassification of which assets require upgrading was not transparently communicated, and is not in line with other Sydney councils. He posits that this reclassification creates a \$100 million increase in asset renewal expenses above that previously prioritised by Council, or by other metropolitan councils.

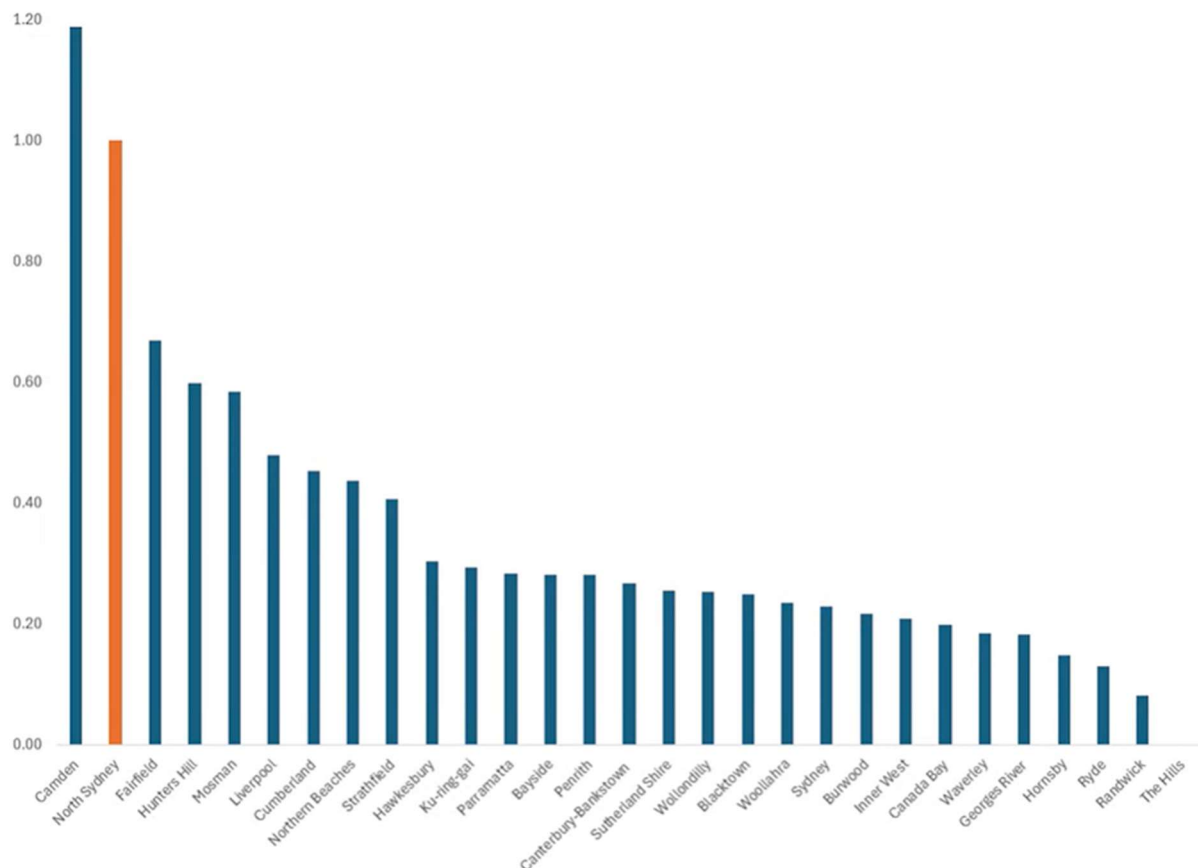


Image credit: Dr Dave Bond YouTube. "North Sydney Council's \$100 million infrastructure problem". 7:09.

(This graph shows the way in which NSC is estimating costs – NSC uses a metric that is second highest to Camden – they are the one council estimating costs at a higher rate than North Sydney Council.)

2. Community awareness and engagement

While there is comparatively high community awareness of North Sydney Council's planned rate rise, that occurred because of high media coverage and community



opposition was generated in light of the coverage. Community awareness did not occur because of Council, which has been criticised for its poor consultation.

Council's engagement program was conducted from 29 November 2024 to 10 January 2025 (42 days) has been widely criticised for its timeliness and effectiveness. Council has also been criticised for its lack of clear communication with ratepayers.

Council failed to provide adequate time for meaningful consultation, particularly given the size and scale of the proposed SRV, and the period in which consultation was conducted (36% of which were weekends/public holiday). The community's ability to review and respond was compromised.

The consultation also failed to present a no SRV or a rate peg only option, meaning that residents were not presented with any details of whether services or infrastructure would not be able to be funded without an SRV.

2.1 Public engagement

The consultation period was conducted over the end of 2024 and beginning of 2025. During this period, 12 days of Council's Engagement Program were weekend days, and three days were public holidays (not including Christmas Eve and New Years' Eve). In total, 15 of the 42 days of consultation were weekends or NSW public holidays (35.71%).

This period did not allow the broader community sufficient time to review the material associated with the Community Strategy, or to absorb information about whether the personal financial impact of the SRV was reasonable.

There were at least eight significant and complex documents that required consideration. The community was not allowed enough time to review the extensive materials.

The increasing number of frequently asked questions (FAQs) on the consultation page is a clear indication that the engagement strategy failed to adequately address the complex fiscal proposals.

2.2 Closed consultation questions prevented community voicing opposition

Council's consultation did not allow respondents to either oppose the rate rise, or support a lower increase. It was a required question to proceed with the survey and therefore forced ratepayers to support one of the four high increase options, or to drop out of the survey. I immediately advocated to Council to change this to an



optional question and/or add the ability to oppose any increase, however for three of the six weeks of their consultation it forced all respondents to support one of the four increase options.

While the Council's consultation report states that the high drop out rates reflect apathy or tacit approval (of the 4,494 people that visited Council's special rate variation website, only 17.6% completed the survey), the vocal opposition in the media, at the Council meeting, and in my survey (and those conducted by Cr Jessica Keen and Cr James Spenceley) demonstrate that the flawed consultation prevented ratepayers from being heard. Feedback suggests that the high drop out was from frustrated and disenfranchised respondents.

Within Council's own consultation report, it was acknowledged that "a high proportion of emails raised the issue of the survey not providing a "no SRV" option in the question on preferred options."

2.3 Consideration of community feedback

The Integrated Planning & Reporting (IP&R) framework emphasises the importance of community engagement. Following its consultation, North Sydney Council made only minor modifications to the original proposal following consultation - changes that ignored the concerns raised by the community.

- **The new option 2a:** Even though only 5% of respondents supported Option 2a (an 87.5% increase over three years), Council proceeded to adopt a similar new option (87.05% increase over two years) recommendation at its meeting on 10 February 2025. The final proposal therefore adopted by Council and applied for approval by IPART was not presented to the community during consultation, and its closest comparator was opposed by 95% of respondents.
- **Survey results ignored:** A survey conducted during the engagement period shows that 78% of respondents were unwilling to pay for the new projects, services, and initiatives outlined in the "informing strategies," which would cost ratepayers \$146 million (that is, the new projects in Council's 10-year plan). Despite this, Council proceeded with the approval of these projects at its meeting on 10 February 2025.

2.3.1 Input from submissions

The consultation period yielded nearly 900 submissions, the vast majority of which opposed the SRV. However, Council's "Engagement Outcomes Report" and "Key Engagement Themes" fail to accurately reflect the feedback received from the community. There is little evidence that Council meaningfully considered this input.



Instead, the public outcry over the rate increases resulted in minor modifications that weakened the operational plan, rather than addressing the core concerns raised by residents.

As mentioned earlier, 78% of respondents opposed the new projects and services outlined in the "informing strategies," yet these strategies remained in the final proposal. Moreover, only 5% of respondents supported Option 2a, yet Council chose to adopt a close alternative. This clearly indicates that the feedback provided was not genuinely considered in the decision-making process.

2.3.2 Council Meeting on 10 February 2025

During the 10 February 2025 Council meeting, 44 registered speakers were present. Of these, 41 spoke against the SRV proposal, yet Council ignored these voices and proceeded with the proposal. Scrutiny of the timing of the meeting reveals that Council uploaded the minutes and other parts of its SRV application to IPART between 11:06 pm and midnight on 10 February, immediately following the conclusion of the meeting.

Given this timeline, it is impossible that community feedback provided during the meeting could have been incorporated into the submission to IPART. This raises serious concerns about whether Council genuinely considered the input before finalising its application.

The feedback from my own community survey, which has received more than 2,000 submissions, has been ignored by North Sydney Council in their adoption of their proposed SRV. In my community survey, I offered residents a yes or no question regarding whether they supported Council's proposed rate hike. The survey also offered a section where respondents could provide feedback ("Do you have additional comments you would like to make?"). Despite the overwhelming opposition conveyed in my community survey, which was presented to North Sydney Council at Council Meeting on 10 February 2025, Council chose to vote in favour of the rate rise.

2.3.3 Communication and engagement for last SRV application

In Council's last SRV application process in 2018-19, Council undertook direct mail to all ratepayers, held four information sessions, hosted eight drop-in information kiosks (each 4 to 5 hours long) and did a random phone survey of residents and businesses.

For the 2024-25 SRV application, Council did not undertake any direct mail – even to the ratepayers whose contact details they readily have and who were to be directly



affected, and only utilised electronic communication including email to a small opted-in group and social media. This is a much lower standard of community engagement and demonstrates a failure to genuinely ensure awareness and seek feedback.

Residents have provided feedback that this demonstrates that Council was not being transparent and could have been avoiding opposition by minimising community awareness and engagement.

3. Impact on ratepayers

Council's application about the impact to ratepayers hinges on their "capacity to pay" report and reference to their hardship policy. It is dismissive of the concerns raised by ratepayers that they are experiencing ongoing difficulties in the cost-of-living crisis, can not afford the increase, and do not support the proposed expenditure associated with the increase.

Much of the ratepayer base, and renters who will be affected by the increase, would sit outside of the hardship policy but still view their own capacity to pay and/or willingness to pay as limited. The attached direct responses to my survey include many personal stories of impacts should this proceed.

Even households with higher incomes can struggle with additional cost imposts. Higher property prices often include higher mortgages and households that are highly leveraged. Ratepayers also have other expenditure commitments including school fees or medical costs. There is an assumption that these ratepayers have high disposable income – with no evidence to support it.

But even when a household has disposable income, it does not give government the right to strip them of it on a whim. Taxation shouldn't stifle the hard work and aspiration of people.

Council needs to be accountable for the way it wants to spend ratepayers' money, but unfortunately, because Council wasn't transparent with these plans during the September elections, ratepayers were not offered their democratic right to decide whether they supported the proposal of Council. Sadly, it falls to IPART to listen to the overwhelming feedback of the community and reject Council's application.

3.1 Impact on residents

The demographics of the North Sydney area provide further context on how the rate increase would disproportionately affect residents:



- 75% of the population is exposed to the pressures of interest rates or landlord rent-setting decisions.
- 90%+ of the North Sydney Council area is apartments, townhouses et cetera, not standalone dwellings.
- 76% pay high rental costs compared with Greater Sydney costs of 54%.
- North Sydney council area pays 54.5% high mortgage costs compared with the Greater Sydney area's average of 42.9%.
- While North Sydney has a higher average income, it also has a higher cost of living, including rent (\$580 per week) and mortgage payments (\$692 per week).
- 15.3% of households in the LGA have a weekly income of less than \$1,000. 24% of individuals earn less than \$1,000 a week, and 6% earn no income.
- 39% of households in NSC contain only one person, significantly higher than the 23.2% in Greater Sydney.

The area is also experiencing demographic changes, with a significant ageing population. Many residents are vulnerable to increased costs, especially those in single-person households or those renting, and those on fixed incomes including pensioners or self-funded retirees.

3.2 Impact on businesses

The impact of the proposed rate increase on businesses has also been a significant concern.

No engagement has been undertaken with either North Sydney Business Chamber or the Neutral Bay Chamber of Commerce, both active organisations representing the needs and voices of small businesses in our community. Small businesses have provided feedback that they can not afford the additional cost imposts, but some have also been reticent to speak publicly due to fear of recriminations from Council.

Major commercial property owners in North Sydney have voiced opposition to the SRV, warning that the proposed 87% increase would undermine investment confidence and harm businesses already struggling with high vacancy rates and post-pandemic economic pressures:

- Pro-Invest Group and Stockland have both criticised the proposed rate rise, with Stockland warning that the increase could push tenants away and harm the office market in North Sydney, which has historically been competitive.



- The owners of the Victoria Cross Over Station Development have stated that the rate rise would put unnecessary strain on newly established businesses in the area, just as they begin operations.

These concerns emphasise that the proposed rate rise could harm both residential and business communities by increasing costs at a time when many are already facing financial challenges.

4. Relevant planning documents

Council prepared and exhibited a raft of documents during the community consultation process, and with their application to IPART. Community feedback has been critical of the range of documents, lack of time to scrutinise the documents, the inconsistency is commentary particular in regards to Council's financial position, and the lack of information about whether there would be any services or infrastructure impacts if the SRV application was unsuccessful.

5. Productivity improvements and cost containment strategies

North Sydney Council has said in its application to IPART that it has financial challenges that need to be addressed for financial sustainability. However, Council has not proposed options for fiscal repair beyond an almost doubling of rates revenue, and in fact has proposed increased spending on a wide range of new initiatives.

Within Council's *Organisational Improvement Plan*, only a one-off \$5 million saving and a recurrent \$2 million saving was identified. Council's documents don't identify where this saving is from and whether it has already been redeployed. Some of the commentary refers to cost savings from an "organisational realignment" but also says this approximately \$2 million has allowed for "new resources". Council's FAQs also refer to a 2023 "realignment" resulting in approximately \$6 million of benefit, the proceeds of which were "redeployed" internally.

Nothing within the *Organisational Improvement Plan* or other Council documents demonstrates a productivity improvement mindset or a commitment to cost containment. Following the community consultation period, when Council received significant push back for not proposing alternative cost saving or efficiency measures, Council responded through its online FAQs with a broad and non-specific response which fails again to propose any specific initiatives:

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



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

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

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

This reinforces the view among community members that Council is taking the easy approach of raising revenue rather than considering and making good decisions with the funding they already tax from ratepayers.

5.1 Response to community pressure for efficiencies

Following the consultation process, Council incorporated in its application to IPART that:

On review of community feedback, Council assessed the programs of work to determine what work could be deferred until later years to reduce the rates increase required in year one. This review deferred \$4.9 million of work until later years. This has reduced the funding required in Year 1 and will still deliver the funding for strategic priorities within a 10-year period.

Deferring projects to later years is not a cost saving or a productivity measure. It's retaining an expense and funding it in future. The community expects Council to make smarter decisions that reflect the priorities that the community has conveyed in regards to revenue raising and projects to be funded.

5.2 Key themes in community feedback on cost management

Many residents echoed the view that Council should look to cut its own spending first before asking residents and businesses to pay more, including proposing other options such as:

- Internal efficiency programs and cost cutting
- Deferring new spending proposals (including the Informing Strategies within the 10-year plan)
- Exploring divestment of any underperforming assets that don't fulfil a Council purpose within their \$53.7 million investment portfolio.



- Staging future capital works and infrastructure programs like IT upgrades
- Accessing additional NSW Treasury Corporation loans

Feedback also focused on the historical inefficiencies and financial mismanagement of the Council, particularly the North Sydney Olympic Pool redevelopment, but also cost overruns on historic projects such as the Coal Loader Platform.

One example of a new project is the expansion of the Stanton Library, priced at \$25 million in the *Long Term Financial Plan*, which residents don't see as a priority and view as a new risk of potentially doubling or tripling in cost in line with other infrastructure projects undertaken by Council.

Ratepayers argue that Council should complete the pool and, once they have demonstrated their ability to successfully manage less expensive infrastructure projects, then consider undertaking one more large project at a time.

6. Other relevant matters

6.1 Proposing an option that wasn't consulted on

Council's community consultation incorporated four rate rise options, one of which was an 87.5% increase over five years.

Following its community consultation process, Council determined that it would not proceed with any of the four options it consulted on. It created a new option of 87.05% over two years with a small amount of expenditure deferred for the first year (and a lower year one increase) along with a new/additional \$10 million Treasury Corporation loan.

In either scenario – the 87.5% over three years and the 87.05% over two years, the community has not been listened to.

In the first scenario, only 5% of respondents to Council's own survey supported this option.

In the second scenario, which has been put to IPART for consideration, no ratepayers were consulted. It can only be assumed that an 87.05% increase would have been opposed if it had been consulted on, as Council's own consultation report acknowledged that the lowest rate rise consulted on (65.38%) received the highest level of support in its consultation (while also noting that for the first three weeks every respondent was required to support at least one rate rise in order to participate in the consultation.)



6.2 Conditions for any approval

Community feedback has also requested that any approval, whether partial or full, should include conditions related to the successful completion of the North Sydney Olympic Pool upgrade before any new infrastructure projects are commenced, a full audit of Council's assets to unlock equity elsewhere in the balance sheet, and the introduction of project assurance framework modelled on that required by Infrastructure NSW before any future projects are commenced.

7. Conclusion

North Sydney Council has applied for a staggeringly large increase in rates, and this money doesn't come from an unlimited pool. This is money that residents and businesses have worked hard to acquire. Their aspiration, their labour, and their plans for how they will spend any disposable income have been ignored by Council in what is effectively a cash grab.

Ratepayers were not contacted directly on this proposal – not by the postal addresses or email addresses or phone numbers that Council has readily on hand. They were not told transparently before the 2024 Council elections of this plan – even though the contract to undertake the SRV process was signed with consultants just days after the election. And when they tried to provide their feedback through Council's consultation, they were forced by the system to support a minimum 65% increase – or drop out of the survey.

This proposal isn't about fixing financial problems facing North Sydney and its residents. It is about a massive half a billion dollar revenue increase to bolster cash reserves and fund \$150 million of entirely new projects – which Council's own community consultation demonstrate 78% of ratepayers don't support and don't want to pay for.

North Sydney Council has failed to demonstrate a need for the proposed rate increase, and have not considered the genuine and unreasonable impacts to ratepayers. The SRV proposal is based on questionable assumptions, inadequate community engagement, and financial projections that do not align with the Council's actual financial position. I urge IPART to reject this proposal and require Council to engage in further consultation and reconsideration of alternative measures.

Yours sincerely

Felicity Wilson MP
Member for North Shore