

DRAFT LONG-TERM FINANCIAL PLAN





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INTRODUCTION

North Sydney Council is committed to continuous improvement and sound governance, striving for best practice in the delivery of services and infrastructure. Our goal is to ensure services and infrastructure are fair, equitable and sustainable – delivering long-term value for both current and future generations.

For decades, the North Sydney community has benefited from high-quality services, well-maintained infrastructure, and strong civic participation. Council has worked in close partnership with local volunteers, Precinct Committees, Community Centres, Bushcare groups, Streets Alive and Community Gardens to support a thriving, connected community.

However, the environment in which Council operates has changed significantly. Population growth and increased urban density have placed additional pressure on our assets and services. Much of our infrastructure is ageing, and community expectations are evolving. Advances in technology, the long-term impacts of COVID-19 pandemic, and the transformative opening of the new Metro have all reshaped how we live, work and travel.

These changes bring both exciting opportunities and growing demands. To meet them, Council requires a resilient financial framework that enables us to plan ahead, invest wisely and deliver the services our community value most.

Council acknowledges and shares the community's concern regarding financial management and is committed to rebuilding trust through improved governance, systems, administration and decision-making, even if at times these decisions are difficult. This improvement journey began in recent years and is now formalised in a Performance and Improvement Plan, developed to support this LTFP and to recognise the commitment of our workforce during what has been a particularly challenging period.

Council's current financial position is no longer sufficient to sustain the level of service and infrastructure that our community has historically enjoyed. A range of structural and external factors have contributed to this challenge:

- A long-standing minimum rate has constrained revenue growth, despite increasing population density and service demand;
- The cost of the North Sydney Olympic Pool redevelopment has significantly limited our capacity to invest in critical asset renewal, increased debt levels, placed pressure on reserves and operational capacity;
- Revenues from non-rating sources – such as parking, advertising and rental income – has not kept pace with inflation or rising operational costs.
- Cost-shifting and legislative changes from other levels of government continues to place additional burdens on Council resources without corresponding funding.

These financial pressures are compounded by two critical and intersecting sustainability challenges: ageing infrastructure and population growth. Many of our assets are reaching the end of their useful, and current asset management systems are outdated. This has resulted in reactive decision-making and constrained funding for both renewal and new infrastructure – leaving little or no capacity to deliver on the priorities identified in Council's strategic plans.

With the NSW Government housing reforms targeting an additional 5,900 dwellings in the medium term, pressure will be placed on infrastructure and services and Council must move its current reactive position to planning for this change. A strengthened financial position is critical to this.

This Long-Term Financial Plan provides a pathway towards financial sustainability and service resilience. It outlines a series of reforms designed to address our structural challenges while balancing the community's capacity to pay. Although this plan will not resolve all challenges, it represents an important step towards restoring financial strength and aligning our resources with the expectations and needs of a growing and evolving community.

FINANCIAL PRINCIPLES

Legislated principles

In September 2016, the Local Government Amendment (Governance and Planning) Act 2016 commenced. This legislated the approach that councils should adopt in relation to their financial management.

Legislated principles of sound financial management

Section 8B of the Local Government Act 1993 states that the following principles of sound financial management apply to Councils.

- Council spending should be responsible and sustainable, aligning general revenue and expenses.
- Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- Councils should have effective financial and asset management, including sound policies and processes for the following:
 - performance management and reporting,
 - asset maintenance and enhancement
 - funding decisions
 - risk management practices
- Councils should have regard to achieving intergenerational equity, including ensuring the following:
 - policy decisions are made after considering their financial effects on future generations,
 - the current generation funds the cost of its services.

COMMUNITY CONSULTATION

Council has undertaken a range of consultations throughout 2024 and 2025 to understand community needs and aspirations.

In May and June 2024, Council engaged the community in an important conversation about the 'The Next Ten Years' for North Sydney. Through a series of thought-provoking discussion papers, panel sessions, surveys and workshops, the community considered where we are now and where we would like to be over the next decade.

This work together with research in several key areas has informed a number of enabling actions which have been included within eight (8) Informing Strategies to inform Council's new Community Strategic Plan. This plan aims to ensure the community of North Sydney continues to enjoy a quality of life and an improved sense of community supported by responsive services and high-quality infrastructure.

In August 2025, Council undertook further consultation to understand service and infrastructure expectations, along with alternate revenue opportunities. 605 demographically selected participants and 433 'opt in' community completed the survey. Key findings from the research were as follows:

- Strong recognition of shared responsibility/intergenerational equity: 72% agree every generation should contribute to renewing infrastructure.
- There is little appetite for 'less' – the majority of residents want services/infrastructure to at least be maintained, if not improved – even knowing that maintaining/increasing services will require an increase in rates.
- There is high endorsement of alternate revenue sources, including partnerships, corporate/private event hire of North Sydney Olympic Pool, new fees and charges for use of public parks, naming rights.

In September 2025, Council received the results of the 2025 Australian Liveability Census for North Sydney. 354 members of the North Sydney community participated and shared that the general condition of public open space (street trees, footpaths, parks etc) was most important to them in their ideal neighbourhood. North Sydney ranked well compared with other Local Government Areas across the country, ranking equal sixth in the country for liveability. However, this is not a reflection of our youth, with the net promoter score for the under 25-year age group being -23, lower than the Australian score of -11, indicating that there may be more we can do to support our youth.

Connectivity, sense of personal safety, access to neighbourhood amenities, the natural environment and overall visual character of the neighbourhood were North Sydney's top 5 liveability metrics.

Range of housing prices and tenures and ease of driving and parking ranked lower than the Australian average. Cultural and/or artistic community was also an area considered one of our top 5 poorest performing liveability metrics, alongside social services such as aged, disability, childcare, medical and support services.

These community values emphasise the important role Local Government plays in place making and liveability.

CLEAR STRATEGIC DIRECTION

A clear and coherent strategic direction is fundamental to sound financial planning. In local government, where demands are growing and resources are finite, it is essential that funding decisions are driven by strategic priorities – not the other way around.

Leading research, including work by McKinsey & Company, highlights that high-performing organisations align their resources to a well-defined strategy, rather than allowing short-term financial pressures to dictate long-term direction. Councils that invest time in setting strategic goals with clarity and purpose are better equipped to allocate resources effectively, respond to change, and deliver outcomes that reflect the aspirations of their communities.

This Long-Term Financial Plan is guided by the principle that strategy must lead resourcing. It aligns financial decisions with Council's broader strategic objectives – ensuring that funding is directed toward areas of greatest impact, and that trade-offs are made transparently and purposefully.

Without a strategic anchor, financial planning risks becoming reactive, fragmented, and short-sighted. Instead, by putting strategy at the centre, Council can build a financially sustainable future while staying focused on long-term community wellbeing, service delivery, and infrastructure renewal. In this way, financial planning becomes an enabler of vision, not just a constraint.

Integrated Planning and Reporting Framework

In early 2025, North Sydney Council adopted a new strategic framework developed in accordance with the *Integrated Planning and Reporting (IP&R) Framework* issued by the NSW Office of Local Government (OLG).



Figure 1: Integrated Planning and Reporting Framework

This framework provides a structured approach to planning, ensuring that Council’s strategies and actions are informed by community priorities, evidence-based research, and long-term trends. The strategic direction outlined within it draws on a consolidation of previous plans, policies, and strategies, alongside comprehensive community consultation. This approach ensures both continuity and adaptability – recognising the lessons of the past while addressing current and emerging challenges.

The insights gathered through this process – combined with detailed research in key areas such as infrastructure, housing, sustainability, and demographics – have informed a suite of eight (8) Informing Strategies and directly contributed to the development of Council’s new *Community Strategic Plan*.

The Informing Strategies focus on the following priority areas:

- Governance
- Economic Development
- Integrated Transport
- Environment
- Open Space and Recreation
- Culture and Creativity
- Social Inclusion
- Housing

Community Strategic Plan

The Community Strategic Plan (CSP) is the highest-level plan within the Integrated Planning and Reporting Framework, providing the long-term vision, goals, and priorities for the North Sydney local government area over the next ten years. Developed in close consultation with the community and guided by the principles set out by the NSW Office of Local Government, the CSP reflects the aspirations, values, and expectations of residents, businesses, and stakeholders. It sets out the outcomes the community wants to achieve across key areas such as environment, economy, infrastructure, community wellbeing, and civic leadership. The CSP serves as the foundation for all other strategic planning processes, including the Long-Term Financial Plan, Delivery Program, and Operational Plan. By articulating a clear direction and shared vision, the CSP ensures that Council's policies, services, and investment decisions are aligned with community priorities, promoting transparency, accountability, and long-term sustainability.

Long-Term Financial Plan

The Long-Term Financial Plan (LTFP) is a critical component of Council's strategic framework. It serves as a financial roadmap, guiding Council's decision-making over the next ten years to ensure the sustainable delivery of services, infrastructure, and community initiatives.

More than a budgeting tool, the LTFP is designed to align Council's financial capacity with its strategic priorities – ensuring that available resources are used effectively to meet the evolving needs and expectations of the community. It provides a forward-looking view of Council's financial sustainability, identifying key pressures, risks, and opportunities, and enabling informed decisions that balance short-term demands with long-term goals.

Asset Management Planning

Asset Management Planning plays a critical role in ensuring the long-term sustainability of Council's infrastructure and service delivery. It provides a structured approach to managing Council's diverse portfolio of assets – including roads, buildings, parks, stormwater, and community facilities – so they continue to support community needs now and into the future.

Asset Management Plans directly inform the Long-Term Financial Plan by identifying future funding requirements and helping Council to prioritise resources in a way that supports sustainable service delivery and intergenerational equity.

Workforce Management Strategy

The Workforce Management Strategy ensures that Council has the organisational capacity and capability to deliver on its strategic objectives both now and into the future. Developed in accordance with the guidelines set out by the NSW Office of Local Government, the strategy identifies the current and future workforce needs of Council, taking into account factors such as service demand, technological change, financial constraints, and demographic shifts.

The Workforce Management Strategy directly informs the Long-Term Financial Plan by identifying the human resource investments required to support sustainable service delivery.

CHALLENGES AND OPPORTUNITIES

The eight informing strategies developed for the North Sydney Local Government Area provide a comprehensive framework for addressing both current and emerging challenges and opportunities. These strategies recognise the legacy of past Council commitments that remain unfunded, while also identifying new possibilities to enhance the wellbeing of the community – both now and into the future.

Together, they reflect a balanced approach to financial planning, ensuring that the needs of today's residents are met without compromising the ability of future generations to thrive. Some of the key challenges and opportunities considered across these strategies are outlined below.

For more detail, the informing strategies and independent research are contained on Council's website at Informing Strategies and Studies – North Sydney Council.

Housing and Population Growth

In mid-2024, the NSW Government released new dwelling completion targets for each local government area. North Sydney has been allocated a target of 5,900 dwellings to be delivered between 2024 and 2029.

Of this target, 2,630 dwellings are already planned, with existing approvals in place or located in areas where rezonings have occurred. The remaining 3,270 dwellings are expected to be delivered through the NSW Government's Transport Oriented Development (TOD) program (Crows Nest precinct) and through low and mid-rise housing reforms.

These government-led reforms, aimed at accelerating housing supply, will result in significant operational and infrastructure pressures for Council. As the population grows and changes, existing infrastructure will face increased demand, and new infrastructure will be needed to support future communities.

As construction activity increases across designated development areas, local communities are likely to experience a range of impacts, including increased noise, traffic congestion, reduced access to public spaces, and general disruption to daily life. These changes can affect community amenity and place additional stress on existing infrastructure and services.

At the same time, the acceleration of housing delivery – driven by state-led planning reforms – places significant pressure on Council staff, who must manage a higher volume of complex development applications, provide timely assessments, and respond to growing community concerns. This increased workload stretches Council's resources and can impact its ability to maintain service quality, meet statutory timeframes, and engage meaningfully with residents during the planning and construction phases.

Council's Development Contributions Plan provides a framework for funding new or upgraded infrastructure in response to this growth. However, contributions collected through development alone are insufficient to fully fund the required infrastructure. Additional funding from Council is necessary to bridge this gap. As Council has not yet built financial reserves for this purpose, the use of these contributions will be limited in the short to medium term.

Master planning for Council-owned sites near Metro stations in Crows Nest and North Sydney presents a strategic opportunity to meet evolving community needs, including expanding library, community and/or recreational and social needs.

Council's current financial position does not provide sufficient capacity to maintain existing services and infrastructure while also preparing for future demands. Under Option 3 of this plan, approximately \$5 million would be made available over the next ten years to support the master planning of key sites and the development of new public infrastructure to meet the needs of a growing population.

Open Space and Recreation

North Sydney features a network of well-maintained parks and recreational facilities that serve as vital community hubs, many of which are situated in picturesque harbourside locations. These spaces offer residents opportunities for leisure, structured sports, informal exercise and social interaction, significantly enhancing the community's overall wellbeing. However, the local government area (LGA) faces a considerable open space deficit, estimated at around 45 hectares, which is expected to increase as the population grows.

With 89% of residents living in high and medium-density housing, ensuring an adequate supply of accessible public open spaces is essential. Limited land availability and high land prices severely restrict the ability to acquire new open space. Therefore, it is crucial to explore innovative strategies to maximise the use of existing resources. This includes design modifications and the potential repurposing of civic and 'grey' spaces, such as roads and car parks, for recreational use.

To address this open space deficit and deliver the desired outcome of being an active community with space for everyone to exercise and enjoy the outdoors, Council developed an Open Space and Recreation Strategy.

While the new rating options do not provide the level of funding required to achieve all opportunities within the strategy, Option 3 provides some funding for initiatives that will maximise the use of existing open spaces. This includes new capital projects to improve drainage, increase multi-purposing, and making smaller enhancements to open spaces.

The recent demographically selected Micromex survey confirmed support for open space and recreation, with 80% of respondents agreeing that Council should maximise the use of existing open space through initiatives such as better drainage, multi-use fields and other adjustments. 65% of respondents agree masterplans should be prepared for parks/foreshores and 50% would like to see more open space and recreational facilities created – which was considered more important for 18–34 year-olds, with 63% wanting more.

Ageing Infrastructure

Infrastructure provision and management are fundamental responsibilities of local government. Infrastructure, by its very nature, forms the foundation for essential service delivery, including transport networks, footpaths, open spaces and recreation assets, community halls, libraries, stormwater systems, and seawalls. Effective infrastructure management is crucial to the local government's role, and it must be adequately funded to prevent passing an excessive financial burden onto future generations.

Proper maintenance and timely renewal of infrastructure are essential to maintaining service levels and ensuring public safety. When infrastructure is not maintained or renewed in a timely manner, service quality deteriorates, and public safety risks may emerge.

The renewal ratio is a commonly used measure to assess how effectively local councils are funding infrastructure renewals. It compares annual spending on asset renewals to the total depreciation expense for the year. While this ratio provides a useful benchmark, it has notable limitations. It is inherently retrospective and can be influenced by external factors such as inflation, evolving community expectations, and changes in service standards. As such, relying solely on depreciation as an indicator of future renewal needs can be misleading. Depreciation should be viewed as a baseline, with actual long-term renewal requirements likely to exceed this minimum over time.

As of 30 June 2025, Council's infrastructure, property, plant, and equipment holdings were valued at \$2.21 billion, with accumulated depreciation amounting to \$516 million. The net carrying value after depreciation was \$1.7 billion.

Investment is crucial to effectively manage this infrastructure and ensure it meets community expectations. This includes:

- Timely completion of asset renewals
- Upgrades to meet modern standards and evolving community needs
- Provision of new infrastructure to accommodate a growing population

When renewals are not undertaken in a timely manner, infrastructure backlogs are created. When renewals are not undertaken, cash and investment reserves should be created to fund these works in the future. This ensures intergenerational equity.

The recent Micromex survey highlighted the community's value of intergenerational equity. When asked about 'each generation contributing to the renewal of community infrastructure they have used and benefited from' 72% agreed and only 7% disagreed.

Current Infrastructure Backlog

Current estimates of infrastructure backlog demonstrate underinvestment in asset renewal, which has compounded over time and further exacerbated funding challenges. Addressing this backlog will require targeted, sustained investment to bring infrastructure management up to a level that meets both current and future community expectations.

Council's financial statements as at 30 June 2025, provide an assessment of infrastructure managed by Council.

A 'satisfactory' level of service refers to infrastructure that continues to function but requires maintenance to sustain its operational capacity. If maintenance is insufficient, infrastructure in this category will deteriorate further, leading to service disruptions and potential public safety risks.

Asset Class	Gross Replacement Cost \$,000	Net carrying amount \$,000	Accumulated depreciation \$,000	Total cost to bring to 'Satisfactory' standard \$,000
Buildings	\$347,616	\$197,457	\$150,159	\$69,398
Other structures	\$1,147	\$958	\$189	\$Nil
Roads	\$413,217	\$314,541	\$98,676	\$12,241
Footpaths	\$155,620	\$108,866	\$46,754	\$7,593
Stormwater drainage	\$247,247	\$170,668	\$76,579	\$55,893
Open space and recreational assets	\$41,031	\$25,346	\$15,685	\$912
Other infrastructure assets	\$310,958	\$207,149	\$103,809	\$11,001
Total	\$1,516,836	\$1,024,985	\$491,851	\$157,038

The two areas of most concern are **buildings and stormwater**. The issue has become more pronounced in recent years due to reduced renewal funding. Community centres, council administration and operational buildings, bus shelters, community centres and sporting facilities are experiencing failing structures or building components.

A review of funding since 2020 shows the total investment in new and renewal works for buildings has reached an annual average of only 24% based on the forecast depreciation for 2025 – highlighting a significant shortfall. While the stormwater network is less visible, recent advancements in technology, including CCTV inspections and the recent 2025 asset revaluation, have provided greater insight into its condition. The data indicates that without adequate investment and a proactive maintenance and renewal strategy, the network is likely to experience increasing failures in the years ahead.

Given Council's current financial position – even when factoring in anticipated increases to the rate peg – renewal funding levels are projected to remain below the required threshold. When combined with the existing infrastructure backlog, this funding gap highlights an unsustainable trajectory.



Social Inclusion and Cohesion

North Sydney is a vibrant and diverse community, characterised by a highly mobile population, a large proportion of lone-person households, and a growing ageing demographic. These distinct features present both challenges and opportunities for fostering social connection and community engagement. In this context, the risks of social isolation and loneliness are significant—particularly among older residents and young people – making social inclusion a critical foundation for individual and community wellbeing.

Since 2007, the Scanlon Foundation has conducted a long-running survey tracking social cohesion in Australia. This research measures social cohesion across five key domains:

- Belonging – the sense of pride and connectedness people feel in their communities;
- Worth – emotional and material wellbeing;
- Social inclusion and justice – perceptions of economic fairness and trust in government;
- Participation – involvement in political, civic, and community life;
- Acceptance and rejection – attitudes toward diversity, support for minorities, and experiences of discrimination.

While North Sydney consistently performs above the national average in these areas, survey results have shown a decline across all indicators since 2021, except for ‘participation’. Social isolation remains a widespread issue, with approximately one in four older people estimated to be socially isolated and between 5–15% of adolescents experiencing loneliness.

Targeted initiatives that strengthen social inclusion, build community connection, and foster cohesion are essential for creating resilient, inclusive, and thriving communities. Council’s Social Inclusion Strategy outlines key objectives and actions to support and enhance social cohesion as the LGA continues to grow and evolve. Complementing this, the Culture and Creativity Strategy promotes diversity, inclusion, and community wellbeing through cultural initiatives and creative engagement.

The estimated operational cost of implementing the full suite of initiatives in the Social Inclusion Strategy averaged \$0.75million per year for the first four years of the plan, excluding master planning initiatives. This included expanded library services, enhanced community events, operating expenditure associated with ‘Woodley’s Shed’ and access and inclusion initiatives.

The estimated operational cost of implementing the full suite of initiatives in the Culture and Creativity Strategy averaged \$0.92 million per year for the first four years of the plan. This included festival partnerships, digital storytelling, First Nations collaboration and support, a central “What’s On” platform, and operational costs associated with a new culture and creativity hub at St Leonards.

The options within this Long Term Financial Plan do not provide for all opportunities within these strategies, however some funding is included within Option 3 to realise some progress towards long term objectives. Details of indicative initiatives are provided at Attachment 1 provided in Part 5.

Economic development

North Sydney boasts numerous strengths that establish it as a vibrant economic hub within Greater Sydney. With a Gross Regional Product of \$23.37 billion and an impressively low unemployment rate of 2.6%, the area’s economy is robust. Its strategic location, combined with a highly educated workforce – 66% of whom hold a bachelor’s degree or higher – makes the area an attractive destination for investors and businesses alike. Despite these strengths, North Sydney faces challenges such as limited amenity in the CBD and increasing competition from neighbouring areas.

To remain competitive and foster a thriving business environment, it is essential to take strategic steps to enhance the appeal of our centres as places to work, visit, and stay.

Given the significant role North Sydney plays in the regional economy, identifying opportunities for data and information sharing, collaboration, and targeted support will be key to strengthening relationships across business and community sectors. Option 3 in this plan provides a modest but important investment in the resources needed to help deliver these outcomes.

Sustainability and Resources

In 2020, Council engaged with the community to create the North Sydney Environmental Sustainability Strategy 2030. This strategy established targets for both Council's operations and the broader community to meet various environmental goals, including responding to Council's climate emergency declaration, protecting native flora and fauna, safeguarding our waterways, reducing waste to landfill, and using resources efficiently.

The priorities and targets outlined in the 2030 Strategy align with the United Nations' Sustainable Development Goals, which serve as the international best practice standard for sustainability reporting and are used by all levels of government in Australia. The 2030 Strategy was reviewed in 2024 alongside the latest environmental data, and updated to address emerging issues, revise targets and ensure ongoing relevance.

This new strategy reaffirms our commitment to fostering a healthy environment with thriving ecosystems and strong climate resilience and remains underpinned by the United Nations' Sustainable Development Goals including SDG 11: Sustainable Cities and Communities, SDG 12: Responsible Consumption and Production, SDG 13: Climate Action, and SDG 15: Life on Land.

Council currently levies an environment levy to support actions towards these goals; however, a modest amount of additional funding is required to maintain existing services and actions and complete key projects such as bushland walking tracks.

Other opportunities included within the strategy will be pursued through opportunities such as grant funding.

Technology

Technology presents a significant opportunity for local governments to enhance service delivery, improve efficiency, and strengthen community engagement. By adopting digital tools such as data analytics, online platforms, and smart infrastructure, local authorities can make more informed decisions, streamline internal processes, and offer more accessible and responsive services to residents. Additionally, technology enables greater transparency and participation through digital consultations and open data initiatives, helping build trust and collaboration between governments and the communities they serve.

North Sydney Council's IT environment consists of a diverse mix of legacy systems that have developed over many years. These systems are largely disconnected and often outdated, limiting the Council's ability to deliver efficient and effective services. A history of underinvestment has restricted opportunities to modernise, integrate, and improve the IT infrastructure. As a result, the Council faces challenges with operational efficiency, data quality, security, and overall user and customer experiences.

Part 5 provides an overview of the current state of information technology at North Sydney.

FINANCIAL STRATEGY

To achieve the objectives outlined in Council's strategic framework, the Long-Term Financial Plan has been developed around the following key strategic financial objectives over the ten-year planning horizon:

1. **Achieve Operating Surpluses**
Maintain a fully funded operating position that delivers consistent surpluses, enabling Council to renew existing infrastructure, reduce asset backlogs, fund new infrastructure, and meet debt servicing requirements.
2. **Strengthen Financial Sustainability and Resilience**
Build long-term financial stability through a strong cash position, sufficient assets to cover liabilities, reduced reliance on vulnerable revenue streams, and capacity to absorb future financial shocks.
3. **Maintain Existing Service Levels**
Ensure current service levels are sustainably funded in all future budgets, with changes to service delivery made only following comprehensive community engagement and service reviews.
4. **Respond to Community Priorities**
Align financial planning with the strategic directions identified in Council's Informing Strategies and the Community Strategic Plan, allowing flexibility to respond to evolving and changing community needs.
5. **Invest in Governance and Organisational Capability**
Support effective decision-making and service delivery through funding for improved systems, processes, governance, and workforce development.
6. **Utilise Debt Strategically**
Use debt responsibly to support intergenerational equity, expand infrastructure capacity, and seize strategic opportunities for growth.
7. **Fully Fund Annual Infrastructure Renewal**
Ensure infrastructure renewal programs are funded at levels at least equivalent to annual depreciation, maintaining asset condition and service standards.
8. **Reduce Infrastructure Backlogs**
Allocate targeted funding to reduce existing infrastructure backlogs and avoid shifting an undue burden onto future generations.
9. **Protect Council's Financial Legacy**
Embed principles of prudence, responsibility, and long-term value in all financial decisions to safeguard the financial legacy of North Sydney Council.
10. **Increase Financial Education and Awareness**
Local government decisions often have **long-term impacts** on infrastructure, environment, housing, and community wellbeing. Education and awareness among councillors and the community create a foundation for responsible, forward-thinking governance that respects the rights of future generations. This ensures that local government decisions are sustainable, equitable, and guided by a long-term vision – not just immediate needs.

The financial management objectives provide a strong foundation for the development of Council's Long-Term Financial Plan (LTFP), supporting consistent, transparent, and evidence-based decision-making. The LTFP is designed as a dynamic and adaptable tool, regularly updated through formal budget reviews, quarterly financial reporting, and ongoing monitoring of year-to-date performance. This continuous review process ensures the LTFP remains current and responsive – enabling Council to effectively adjust to changing circumstances, emerging risks, and evolving community priorities.

RATING STRUCTURE

Council rates are levied based upon unimproved land values.

In New South Wales, councils use rating structures to calculate how much each ratepayer contributes towards local services. Two common structures are the *minimum rate* and the *base rate*. A **minimum rate** sets a fixed minimum amount that must be paid by all ratepayers, regardless of their land value. In contrast, a **base rate** sets a fixed charge that applies to all properties equally, but only for a portion of the total rate, with the remainder calculated based on land value (ad-valorem).

North Sydney Council levies ordinary rates, along with an environment levy and an infrastructure levy. Council uses a minimum rate structure for ordinary rates, and a base rate structure for its special levies.

Annual increases in total rating revenue received by councils are capped each year through the NSW Government rate peg framework.

The rate peg is a limit set each year by the Independent Pricing and Regulatory Tribunal (IPART) that controls how much a local council can increase its total general income from rates, regardless of changes in land values. This means that even if land values in a council area rise significantly, the total amount of money the council can collect from rates does not automatically increase. Instead, councils must adjust the rate in the dollar downward to stay within the rate peg. Therefore, the rate peg restricts overall revenue growth from rates, ensuring that councils do not receive windfall gains simply due to rising property values.

The increase in revenue achieved through rate peg only supports increased costs (inflation) associated with existing services. It does not provide for new or emerging community needs.

To ensure sufficient funding for council services and infrastructure, a council can increase its rating revenue above the rate peg by applying for a Special Variation under section 508(2) or 508A of the Local Government Act 1993. This process is regulated by the Independent Pricing and Regulatory Tribunal (IPART) and allows councils to raise additional revenue beyond the annual rate peg limit.

Council's long-term financial sustainability and service planning are influenced by a range of changing factors, such as inflation, infrastructure needs, and community expectations. To respond to these changes, councils may sometimes need to increase their rates income beyond the limit set by the annual rate peg. However, applying for a Special Variation is a complex and often sensitive process that requires detailed planning, community consultation, and approval from the Independent Pricing and Regulatory Tribunal (IPART).

Because of this, councils tend to apply for Special Variations less frequently, and when they do, the increases are usually larger to cover multiple years or long-term needs – rather than making smaller, more flexible adjustments each year.

Impact of the minimum rate structure

Council's current rating structure for ordinary rates is based on a minimum rate, with each property paying a minimum of \$744. Of the 37,347 residential assessments, 77.48% ratepayers currently pay the minimum rate. This is largely due to the high density within the Local Government Area and the practice of levying rates on unimproved land values. However, maintaining low minimum rates limits Council's ability to generate sufficient revenue to meet the demands of a growing population.

2025-26 SPECIAL VARIATION SUBMISSION

In February 2025, Council applied to IPART for an increase in permissible rating income of 87% over two years. In summary, this application aimed to provide a long-term financial strategy and included:

- Undertaking immediate repair to liquidity challenges
- An increase in revenue from new development through increased minimum rates
- Capital and operational funding to achieve environmental, social, economic, open space and recreation, culture and creativity, integrated transport, housing and governance objectives
- An increase in borrowing by \$10 million
- Funding to achieve environmental, social, economic, open space and recreation, culture and creativity, integrated transport, housing and governance objectives
- Funding annual infrastructure renewals
- Reduction of infrastructure backlogs
- Improved financial strength (including ability to contribute to projects within development contribution plan)
- Replacement of outdated corporate systems.

In addition, the application aimed to achieve greater equity in rating through:

- Increasing the minimum rate to improve equity between high, medium and low-density residential assessments
- Absorbing special levies into ordinary income to improve equity between residential and business assessments

This application was rejected in full by IPART, who while acknowledging Council's poor financial position, raised concerns in relation to the community's understanding of the need and purpose for special variation, the community's capacity to pay and the Council's performance and improvement submission.

IPART noted that most objectors raised concerns in relation to the North Sydney Olympic Pool redevelopment project, along with confusion regarding the projects contribution to the special rate variation proposed.

IPART agreed that the council demonstrated a rationale for increasing minimum rates and that there is a case for the council to address the inequity in its rating structure between ad valorem and minimum rate ratepayers. However, it considered the impact of large increases to the minimum rate over a short period of time, on the population considered most vulnerable to rates increases was not reasonable.

RESPONSE TO IPART DECISION

In refusing the application, IPART made the following recommendations which Council has now addressed:

1. **Complete a service level review with the community:** Council undertook a service level review through research consultants Micromex Research. The report concluded that there was little appetite for reduced service levels, with the majority of residents wanting services/infrastructure to at least be maintained, if not improved. The detailed results of this survey are available at Attachment 2 of this plan.
2. **Consider various alternatives to an SV including a reduction in services, or considering higher levels of debt:** Improved documentation of consideration made in relation to various alternatives to an SV have been made and are detailed within this plan. Specific new or increased revenue forecasts have been included within the plan as opposed to a percentage assumption above forecast inflation.
3. **Develop an on-going framework to identify and implement productivity and efficiency savings:** Council developed a performance improvement framework and pathway in 2023; however, it is acknowledged that this work was not sufficiently detailed for the purpose of SV. In response, a new Performance and Improvement Plan has been developed which details Council's considerable efforts towards improvement over the past three years and also considers new productivity, cost containment and revenue opportunities. This plan is available at Attachment 1 of this plan.
4. **Reconsider the extent and timing of the increase to minimum rates:** A reduced minimum rate over three years has been included for consideration in this plan.
5. **Improvement of Council's Hardship Policy:** A new Hardship Policy was developed and publicly exhibited. It is expected this Policy will be adopted prior to any submission of future SV application.

OTHER ACTIONS TAKEN

In addition to the above, the following actions were taken to manage Council's immediate financial challenges:

1. Council's Delivery Program and Operational Plan were updated to adjust priorities to accommodate the limited financial constraints. These plans included a \$6 million financial repair target which would require additional income, service reduction and further productivity improvements. Current projections suggest that \$3 million of this target may be achievable in 2025-26 in the absence of service reductions (excluding continued short-term cost containment measures).
2. To address liquidity concerns in the absence of an SV, infrastructure renewal budgets were reduced for a third year, and cost cutting initiatives were implemented including holding workforce vacancies, leave management plans, and general spending restraint. While some ongoing savings have been identified, the scale of reduction in expenditure is not sustainable and has increased operational risk.
3. Council proceeded with the approval of an additional \$10 million loan to support the North Sydney Olympic Pool project.
4. Council's Long Term Financial Plan has been reviewed and redeveloped.
5. New rating options have been developed. These options are primarily focused on infrastructure renewal and improvement, with some support for new infrastructure. To support improved governance, administration and customer support, new corporate systems are also recommended in the SV options.
6. Included within the rating options presented is a clearly labelled baseline scenario for exhibition which will provide the community with an option to reduce services and infrastructure.
7. To address confusion regarding the North Sydney Olympic Pool project, this plan acknowledges the commitments made in relation to the project regardless of special variation. All costs associated with the North Sydney Olympic Pool must be funded through existing revenue. The special variation funding will be primarily focused on improving the sustainability of services and infrastructure, while providing a modest contribution to new service and infrastructure needs.

The special variation options are considered a medium-term strategy. They will not provide for the delivery of growth infrastructure such as expanded library facilities, new community facilities or major upgrades to sporting facilities, open space and foreshore areas. Further, they will not provide sufficient co-funding for projects outlined in Council's Development Contribution Plan. It is recommended that this plan be revisited in the future to incorporate these needs.

Medium term focus

The approval of a special variation will provide Council with the opportunity to make a positive difference in the medium term through opportunities such as:

- Improving systems, data and reporting
- Addressing critical infrastructure needs
- Ensuring the operational success of the North Sydney Olympic Pool
- Stabilising the workforce
- Reviewing Council's property portfolio
- Master planning key sites, including those adjacent to Metro locations
- Delivering renewal projects which have been delayed in recent years, including Cremorne Plaza and Langley Place
- Working with the NSW Government to deliver Hume Street Park.

RATING OPTIONS

This Long-Term Financial Plan provides three options for the future of services and infrastructure in North Sydney. These options include:

Option 1 – No change – deterioration of infrastructure

Under this option, ordinary rates would increase by rate peg (4% for 2026-27 and assumed 3% annually thereafter). This represents a cumulative increase of 10.33% over three years.

In the absence of significant service reduction, income would be insufficient to support annual renewals. Infrastructure backlogs would grow. Infrastructure management would continue to be reactive, and maintenance costs will increase.

Council is already feeling the pressure of ageing and failing infrastructure which presents both safety risks and disruption to service delivery. This has been exacerbated through a reduction in renewal funding over the past three years in response to the North Sydney Olympic Pool project.

This option covers only the minimum essential investment needed to ensure Council's IT environment remains operational, supported, and compliant. It is a direct response to years of underfunding and technical debt, intended to address the most urgent risks only.

Option 2 – Treading water – Restore renewal funding and address critical backlogs

Under this option, rating revenue would increase by a cumulative amount of 39.92% (29.59% above rate peg) over three years. 20% in 2026-27, 10% in 2027-28 and 6% in 2028-29. This would generate an additional \$190 million in revenue over a ten-year period.

The primary focus of this option is to restore infrastructure renewal funding and address the critical backlog that has accumulated over the past three years due to the North Sydney Olympic Pool redevelopment. It does not fully resolve the broader, long-term infrastructure backlog challenge.

Over a ten-year period, \$151 million or 79% of the total revenue generated would be directed towards infrastructure renewal. This would enable renewal investment to return to at least 100% of annual asset depreciation, ensuring that the backlog works do not continue to grow. Forecasts indicate a reduction in the infrastructure backlog from 14.04% in 2024-25 to 10.10% in 2034-25 allowing for indexation of costs. \$17 million would be contributed to a reserve for new capital works.

To further support service delivery and enhance infrastructure management, this option includes the implementation of modern corporate systems. Building upon Option 1, it introduces a comprehensive suite of digital upgrades aimed at transforming Council operations. These initiatives will enhance staff productivity and satisfaction, improve service responsiveness, and better align with community expectations. Crucially, improved data management and reporting capabilities will strengthen decision-making and support more effective long-term planning.

Option 3 – An eye on the future – Enhanced contribution to infrastructure investment and planning

Under this option, rating revenue would increase by a cumulative amount of 54.18% (43.85% above rate peg) over three years. 23% in 2026-27, 15% in 2027-28 and 9% in 2028-29. This would generate an additional \$278 million in revenue over a ten-year period.

This option prioritises infrastructure investment, with 87% of all additional income raised over the ten-year period allocated specifically for this purpose.

\$186 million towards infrastructure renewal would ensure funding restored to at least 100% of annual asset depreciation, while also providing greater capacity to address critical backlogs. Forecasts indicate a reduction in the infrastructure backlog from 14.04% in 2024-25 to 7.18% in 2034-25 allowing for indexation of costs.

In addition, this option creates capacity for new infrastructure to support the delivery of some priority projects, with a relatively modest investment of \$57 million in new infrastructure over the ten-year period. With a strong focus on maximising the use of existing open space and recreation infrastructure, this option also provides co-funding towards projects outlined in the Council's Development Contributions Plan.

Beyond infrastructure delivery, this option provides some operational capacity, with \$17 million for new and emerging priorities, such as master planning for key sites including those within proximity to Metro and foreshore locations.

To further support service delivery and enhance infrastructure management, this option includes the implementation of modern corporate systems. Building upon Option 1, it introduces a comprehensive suite of digital upgrades aimed at transforming Council operations. These initiatives will enhance staff productivity and satisfaction, improve service responsiveness, and better align with community expectations. Crucially, improved data management and reporting capabilities will strengthen decision-making and support more effective long-term planning.

Total increase in permissible income – including special variation options

The following table outlines the total revenue that would be levied under each of the options.

Note: The options provided all retain special levies for infrastructure and environment. The revenue split of 60% residential and 40% business is also maintained in all options.

	Ad-valorem income (\$)	Minimum income (\$)	Special levy income	Total permissible income	% increase year on year
OPTION 1 – Rate peg cumulative 10.33% (2026-27 rate peg 4%, with forecast of 3% for 2027-29)					
FY 25-26	37,033,842	22,364,832	5,459,679	64,858,353	
FY 26-27	38,515,195	23,259,425	5,678,066	67,452,687	4%
FY 27-28	39,670,651	23,957,208	5,848,408	69,476,267	3%
FY 28-29	40,860,771	24,675,924	6,023,861	71,560,556	3%
OPTION 2 – Special Variation cumulative 39.92% (incl. rate peg)					
FY 25-26	37,033,842	22,364,832	5,459,679	64,858,353	
FY 26-27	41,915,450	30,236,507	5,678,066	77,830,023	20%
FY 27-28	45,256,134	34,508,483	5,848,408	85,613,025	10%
FY 28-29	47,602,693	37,123,244	6,023,861	90,749,798	6%
OPTION 3 – Special variation cumulative 54.18% (incl. rate peg)					
FY 25-26	37,033,842	22,364,832	5,459,679	64,858,353	
FY 26-27	44,314,723	29,782,985	5,678,066	79,775,774	23%
FY 27-28	51,792,016	34,101,716	5,848,408	91,742,140	15%
FY 28-29	56,880,860	37,094,212	6,023,861	99,998,933	9%

Note: Special variation income in all models is being generated through the ordinary rate, with environment and infrastructure levies increasing in line with rate peg in all models. These levies are calculated using a base rate calculation and in the absence of absorbing these levies into ordinary rates, any change above rate peg will shift levy burden towards residential ratepayers.

Permissible income – residential

The following table outlines the forecast revenue which would be generated from residential assessments under each of the three options.

	Ad-valorem income (\$)	Minimum income (\$)	Special levy income	Total permissible income	% increase year on year
OPTION 1 – Rate peg cumulative 10.33% (2026-27 rate peg 4%, with forecast of 3% for 2027-29)					
FY 25-26	13,760,836	21,525,025	4,891,575	40,177,436	
FY 26-27	14,311,269	22,386,026	5,087,238	41,784,533	4%
FY 27-28	14,740,607	23,057,607	5,239,855	43,038,069	3%
FY 28-29	15,182,826	23,749,335	5,397,051	44,329,212	3%
OPTION 2 – Special Variation cumulative 39.92% (incl. rate peg)					
FY 25-26	13,760,836	21,525,025	4,891,575	40,177,436	
FY 26-27	14,250,599	29,040,575	5,087,238	48,378,412	20.41%
FY 27-28	14,715,723	33,143,047	5,239,855	53,098,625	9.76%
FY 28-29	15,182,704	35,652,854	5,397,051	56,232,609	5.90%
OPTION 3 – Special variation cumulative 54.18% (incl. rate peg)					
FY 25-26	13,760,836	21,525,025	4,891,575	40,177,436	
FY 26-27	15,847,304	28,611,321	5,087,238	49,545,863	23.32%
FY 27-28	18,776,346	32,759,893	5,239,855	56,776,094	14.59%
FY 28-29	20,748,550	35,636,493	5,397,051	61,782,094	8.82%

Limitations on Council's revenue generation and the role of new housing

Councils are restricted in their ability to generate additional income due to rate caps imposed by the State Government. While individual land values may increase periodically, as determined by the Valuer General, the total revenue generated by Council remains largely fixed. Instead, any increases in land values result in a redistribution of revenue, rather than a net increase.

An exception to this limitation is new housing development.

When new housing is built, it increases Council's revenue based on the difference between the pre-development rating assessment and the new, higher rating assessment. For example, if a property originally contained an apartment block with 20 units, Council would receive \$14,880 in rating revenue (\$744 x 20 units). If the site were redeveloped into an apartment block with 200 units, Council would then receive \$148,800 in rating revenue – an increase of \$133,920.

It is therefore important that the minimum rate is set at a level that ensures sufficient revenue for increased demand on services and infrastructure.

Average residential rate

The following table outlines the average residential rates under each of the three options.

	Option 1	Option 2	Option 3
FY 25-26	\$1,076	\$1,076	\$1,076
Annual increase	\$43	\$219	\$251
FY 26-27	\$1,119	\$1,295	\$1,327
Annual increase	\$34	\$127	\$193
FY 27-28	\$1,153	\$1,422	\$1,520
Annual increase	\$34	\$84	\$134
FY 28-29	\$1,187	\$1,506	\$1,654
Total increase	\$111	\$430	\$578
Total 3 year cumulative increase	\$0	\$319	\$467

Minimum residential rate

The following table outlines the minimum residential rate under each of the three options.

	Option 1	Option 2	Option 3
FY 25-26	\$743.85	\$743.85	\$743.85
Annual increase	\$29.75	\$226.87	\$226.87
FY 26-27	\$773.60	\$970.72	\$970.72
Annual increase	\$23.21	\$124.26	\$145.60
FY 27-28	\$796.81	\$1,094.98	\$1,116.32
Annual increase	\$23.90	\$76.65	\$100.47
FY 28-29	\$820.71	\$1,171.63	\$1,216.79
Total increase	\$76.86	\$427.78	\$472.94
Total 3 year cumulative increase above rate peg	\$0	\$350.92	\$396.08

Ad valorem average rate

The following table outlines the average rates for those assessments paying ad valorem rates.

	Option 1	Option 2	Option 3
FY 25-26	\$1,872.83	\$1,872.83	\$1,872.83
FY 26-27	\$1,947.74	\$2,175.47	\$2,265.15
FY 27-28	\$2,006.17	\$2,348.83	\$2,605.04
FY 28-29	\$2,066.35	\$2,475.35	\$2,839.56

Minimum average rate (including special levies)

The following table outlines the average rates for those assessments paying minimum rates.

	Option 1	Option 2	Option 3
FY 25-26	\$844.18	\$844.18	\$844.18
FY 26-27	\$877.95	\$1,076.81	\$1,075.98
FY 27-28	\$904.29	\$1,204.98	\$1,224.51
FY 28-29	\$931.42	\$1,285.30	\$1,328.11

Permissible income – business

The following table outlines the forecast revenue which would be generated from business assessments under each of the three options.

	Ad-valorem income (\$)	Minimum income (\$)	Special levy income	Total permissible income	% increase year on year
OPTION 1 – Rate peg cumulative 10.33% (2026-27 rate peg 4%, with forecast of 3% for 2027-29)					
FY 25-26	23,273,006	839,807	568,104	24,680,917	
FY 26-27	24,203,926	873,399	590,828	25,668,154	4%
FY 27-28	24,930,044	899,601	608,553	26,438,198	3%
FY 28-29	25,677,945	926,589	626,810	27,231,344	3%
OPTION 2 – Special Variation cumulative 39.92% (incl. rate peg)					
FY 25-26	23,273,006	839,807	568,104	24,680,917	
FY 26-27	27,664,851	1,195,932	590,828	29,451,611	19.33%
FY 27-28	30,540,411	1,365,436	608,553	32,514,400	10.40%
FY 28-29	32,419,989	1,470,390	626,810	34,517,189	6.16%
OPTION 3 – Special variation cumulative 54.18% (incl. rate peg)					
FY 25-26	23,273,006	839,807	568,104	24,680,917	
FY 26-27	28,467,419	1,171,664	590,828	30,229,911	22.48%
FY 27-28	33,015,670	1,341,823	608,553	34,966,046	15.67%
FY 28-29	36,132,310	1,457,719	626,810	38,216,839	9.30%

Average business rate

The following table outlines the average business rates under each of the three options.

	Option 1	Option 2	Option 3
FY 25-26	\$7,193	\$7,193	\$7,193
<i>Annual increase</i>	\$288	\$1,390	\$1,617
FY 26-27	\$7,481	\$8,583	\$8,810
<i>Annual increase</i>	\$244	\$893	\$1,380
FY 27-28	\$7,705	\$9,476	\$10,190
<i>Annual increase</i>	\$231	\$583	\$947
FY 28-29	\$7,936	\$10,059	\$11,137
<i>Total increase</i>	\$763	\$2,866	\$3,944
<i>Total 3 year cumulative increase above rate peg</i>	\$0	\$2,103	\$3,181

Minimum business rate

The following table outlines the minimum business rate under each of the three options.

	Option 1	Option 2	Option 3
FY 25-26	\$743.85	\$743.85	\$743.85
<i>Annual increase</i>	\$29.75	\$226.87	\$226.87
FY 26-27	\$773.60	\$970.72	\$970.72
<i>Annual increase</i>	\$23.21	\$124.26	\$145.60
FY 27-28	\$796.81	\$1,094.98	\$1,116.32
<i>Annual increase</i>	\$23.90	\$76.65	\$100.47
FY 28-29	\$820.71	\$1,171.63	\$1,216.79
<i>Total increase</i>	\$76.86	\$427.78	\$472.94
<i>Total 3 year cumulative increase above rate peg</i>	\$0	\$350.92	\$396.08

COMPARISON WITH OTHER COUNCILS

Residential rates

In 2025-26, there were 37,347 residential rating assessments recorded, with the total rateable value (unimproved land value) of residential land in North Sydney being \$36.19 billion.

77% of residential properties pay the minimum rates, and 23% of residential properties pay ad-valorem rates. 61% of total residential rating revenue is generated through minimum rate assessments, while 39% is generated through ad valorem assessments.

North Sydney Council's residential rate is low in comparison to other metropolitan councils. The average residential rate is calculated including special levies.

Option 1 – rate peg

	2025-26	2026-27	2027-28	2028-29
Average residential rate	\$1,076	\$1,119	\$1,153	\$1,187
Increase		4%	3%	3%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison councils in years 2027-28 and 2028-29.

Note: Ku-ring-gai and Blacktown Councils are currently considering an SV for 26-27.

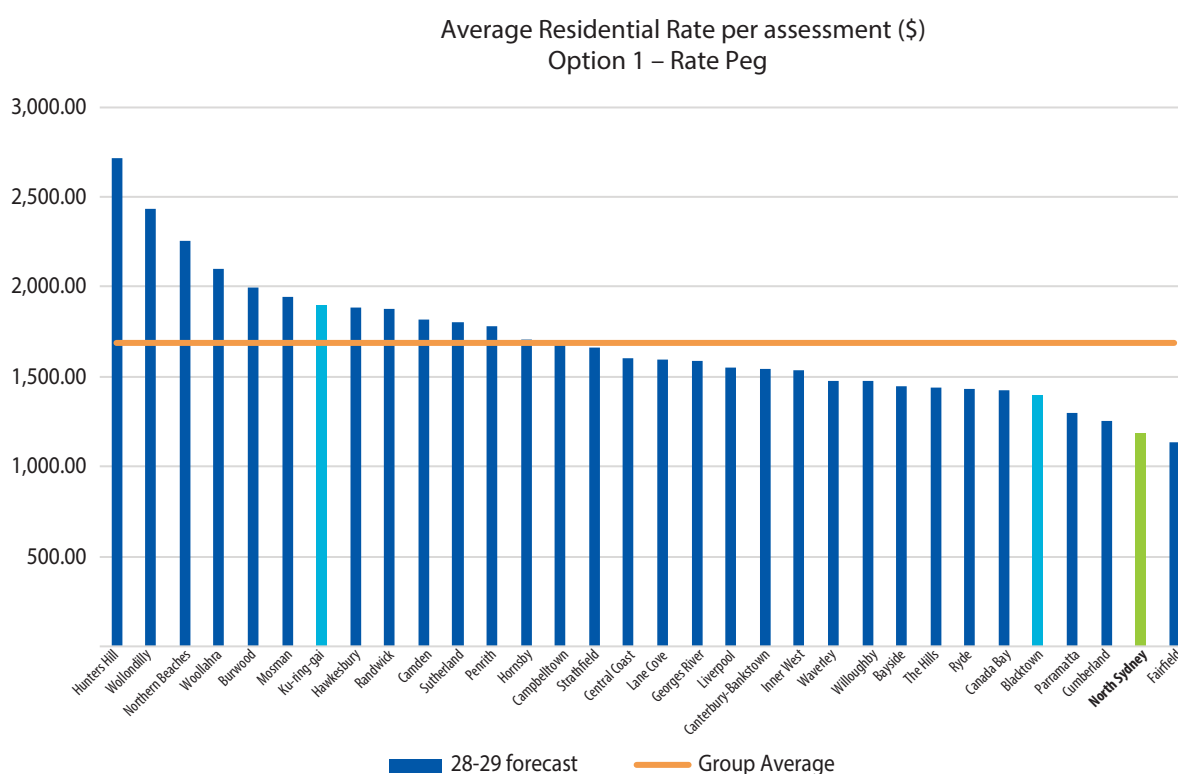


Chart 1: Average Residential Rate per assessment – Option 1

Option 2 – special variation (39.92% cumulative over three years)

	2025-26	2026-27	2027-28	2028-29
Average residential rate	\$1,076	\$1,295	\$1,422	\$1,506
Increase		20%	10%	6%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison council's in years 2027-28 and 2028-29.

Note: Ku-ring-gai and Blacktown Councils are currently considering an SV for 26-27.

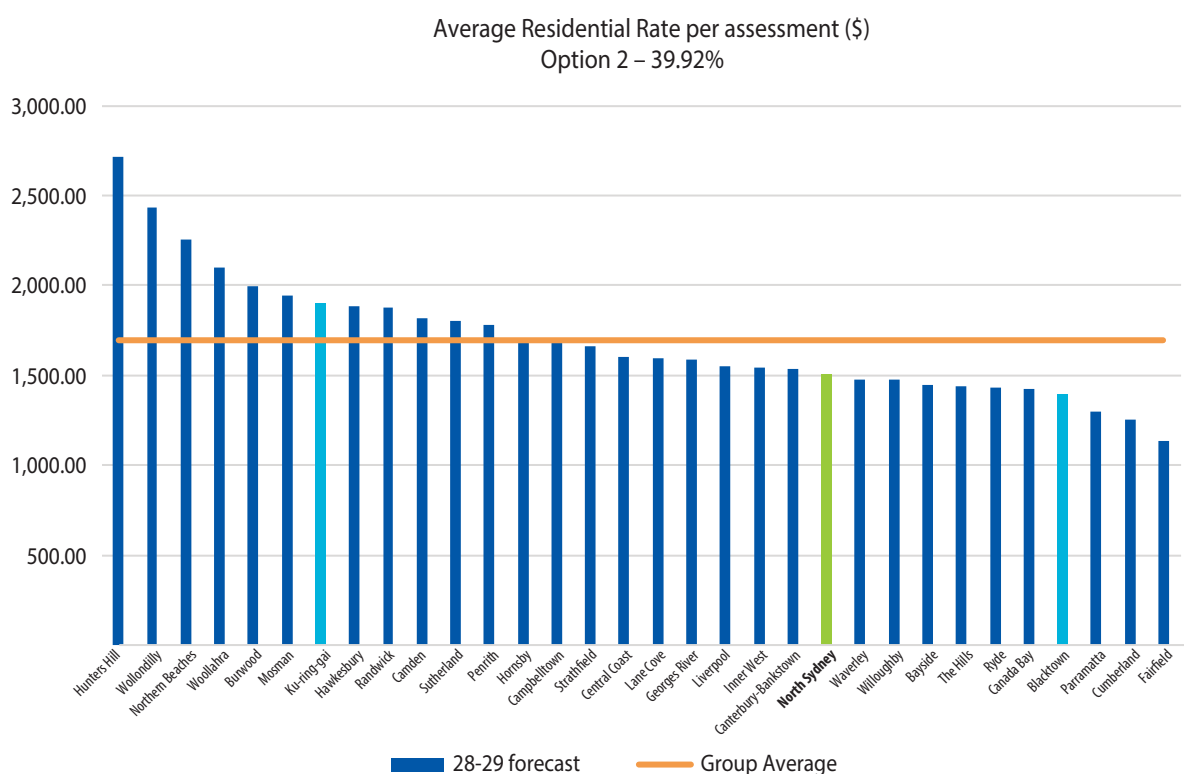


Chart 2: Average Residential Rate per assessment – Option 2

Option 3 – special variation (54.18% cumulative over three years)

	2025-26	2026-27	2027-28	2028-29
Average residential rate	\$1,076	\$1,327	\$1,520	\$1,654
Increase		23%	15%	9%

The following chart demonstrates a comparison with other councils at the end of the three year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all council's in years 2027-28 and 2028-29.

Note: Ku-ring-gai and Blacktown Councils are currently considering an SV for 26-27.

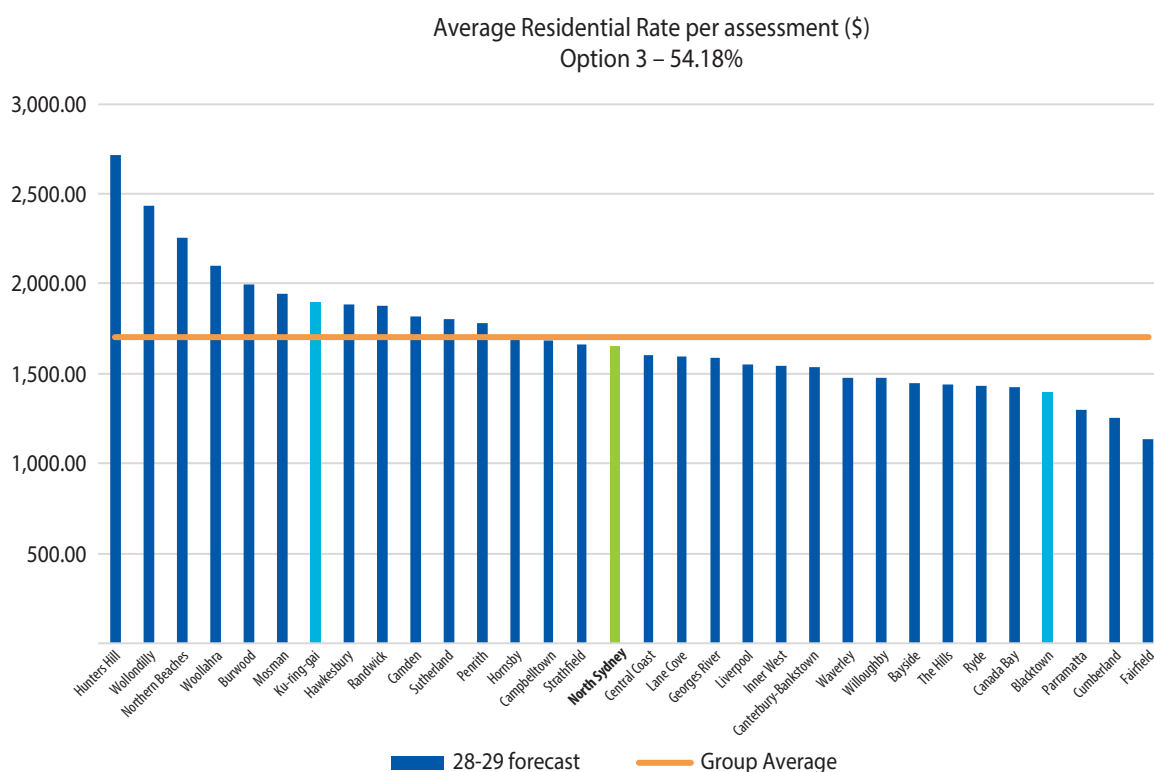


Chart 3: Average Residential Rate per assessment – Option 3

Option 1 – minimum rate increased by rate peg

	2025-26	2026-27	2027-28	2028-29
Minimum residential rate	\$743.85	\$773.60	\$796.81	\$820.71
Increase		4%	3%	3%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison council's in years 2027-28 and 2028-29.

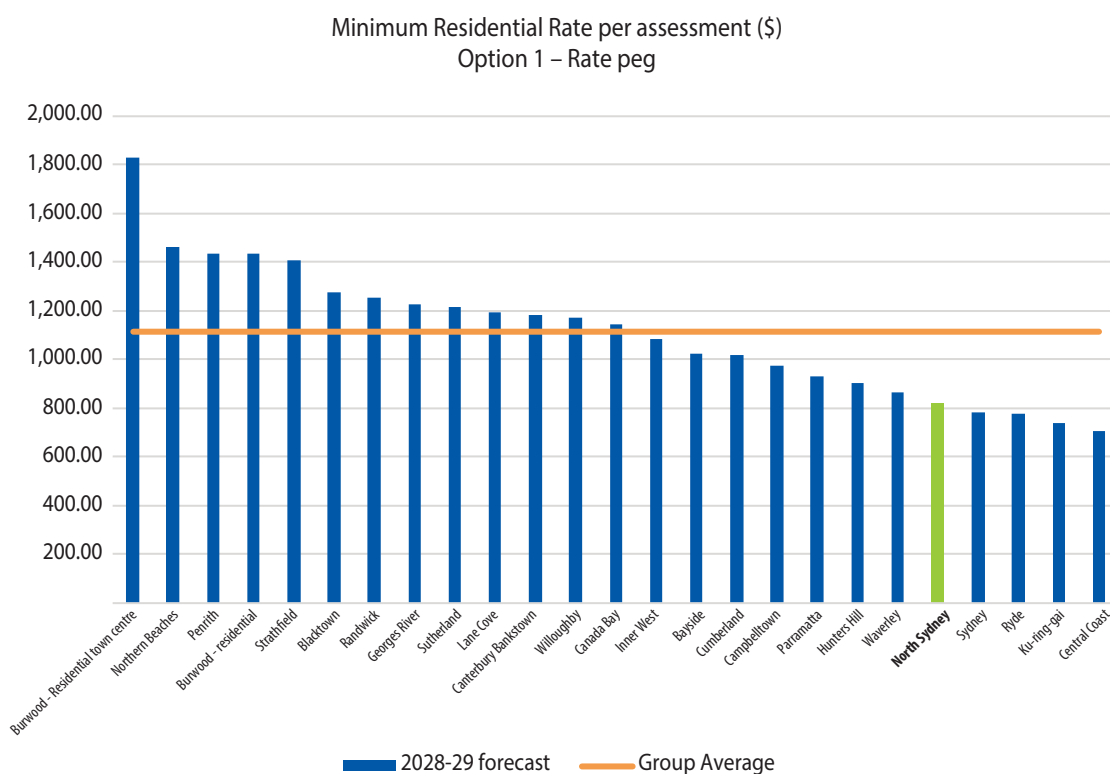


Chart 4: Minimum Residential Rate per assessment – Option 1

Option 2 – variation to minimum rate (as per below table)

	2025-26	2026-27	2027-28	2028-29
Minimum residential rate	\$743.85	\$970.72	\$1,094.98	\$1,171.63
Increase		30%	13%	7%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison council's in years 2027-28 and 2028-29.

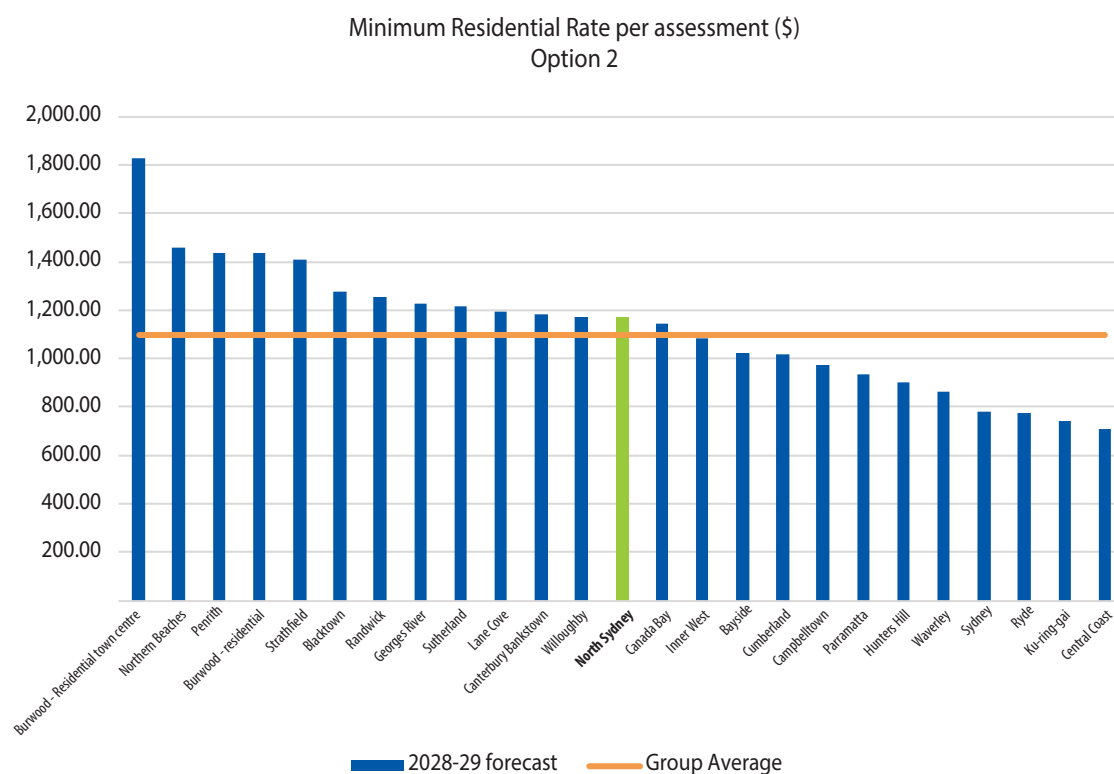


Chart 5: Minimum Residential Rate per assessment – Option 2

Option 3 – variation to minimum rate (as per below table)

	2025-26	2026-27	2027-28	2028-29
Minimum residential rate	\$743.85	\$970.72	\$1,116.32	\$1,216.79
Increase		30%	15%	9%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison councils in years 2027-28 and 2028-29.

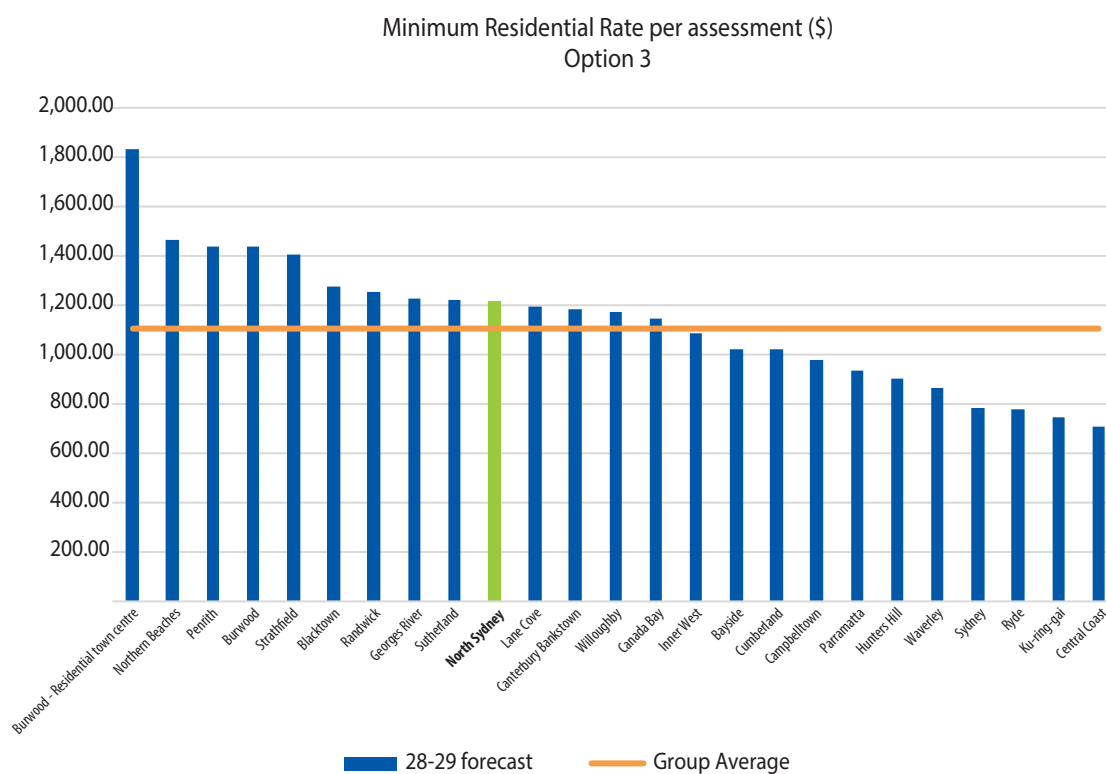


Chart 6: Minimum Residential Rate per assessment – Option 3

Business rates

In 2025-26, there were 3,431 business rating assessments recorded, with the total rateable value (unimproved land value) of residential land in North Sydney being \$5.12 billion.

Comparing average business rates across different Local Government Areas (LGAs) can be challenging due to the varying size and character of landholdings. Those LGA's with high density property holdings owned individually will by nature have a higher average rate than those with smaller individual landholdings or strata developments.

33% of business assessments pay the minimum rates, and 67% of business assessments pay ad-valorem rates. 4% of total business rating revenue generated through minimum rate assessments, while 96% is generated through ad valorem rate assessments.

While there is no direct comparison to North Sydney, the closest comparison would be those councils with CBD locations. This includes Burwood, Parramatta, Strathfield and Sydney.

Average business rates

Council	2025-26	2026-27	2027-28	2028-29
Burwood	9,218	9,596	9,884	10,181
Parramatta	15,142	15,869	16,345	16,835
Strathfield	10,116	10,874	11,200	11,536
Sydney	15,030	15,872	16,348	16,838
<i>Average</i>	<i>12,376</i>	<i>13,053</i>	<i>13,444</i>	<i>13,847</i>
North Sydney Options				
Option 1	7,193	7,481	7,705	7,936
Increase		4%	3%	3%
Option 2	7,193	8,583	9,476	10,059
Increase		19%	10%	6%
Option 3	7,193	8,810	10,190	11,137
Increase		22%	16%	9%

Source: <https://economy.id.com.au>

Note: Comparative rates are calculated based on the averages included with the IPART Final Report – North Sydney 2025 for the 2024-25 year which is calculated using OLG's time series data as at 2023-24 (latest available). These rates have then been escalated by 2025-26 and 2026-27 rate pegs or special variation approvals for each council. The 2028-29 year has been escalated by an assumed rate peg of 3%.

Economic considerations

The following table provides economic comparative data for the above comparison group. Comparing local job numbers with local businesses provides an indication of the business size amongst the group. The data suggests Parramatta has a closer economic output, however the number of businesses and jobs may suggest that it has a larger number of smaller businesses within its LGA than North Sydney.

Council	2024 GRP (NEIR 2024)	Local jobs	Local businesses	Jobs as a % of businesses
Burwood	\$2.98 billion	19,043	5,481	3.47
Parramatta	\$30.97 billion	184,846	32,803	5.63
Strathfield – CBD	\$4.01 billion	23,349	7,083	3.30
Sydney	\$154.73 billion	683,472	82,636	8.27
<i>North Sydney</i>	<i>\$23.93 billion</i>	<i>104,745</i>	<i>15,178</i>	<i>6.90</i>

Source: <https://economy.id.com.au>

Option 1 – business minimum rate increased by rate peg

	2025-26	2026-27	2027-28	2028-29
Business minimum rate	\$743.85	\$773.60	\$796.81	\$820.71
Increase		4%	3%	3%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison council's in years 2027-28 and 2028-29.

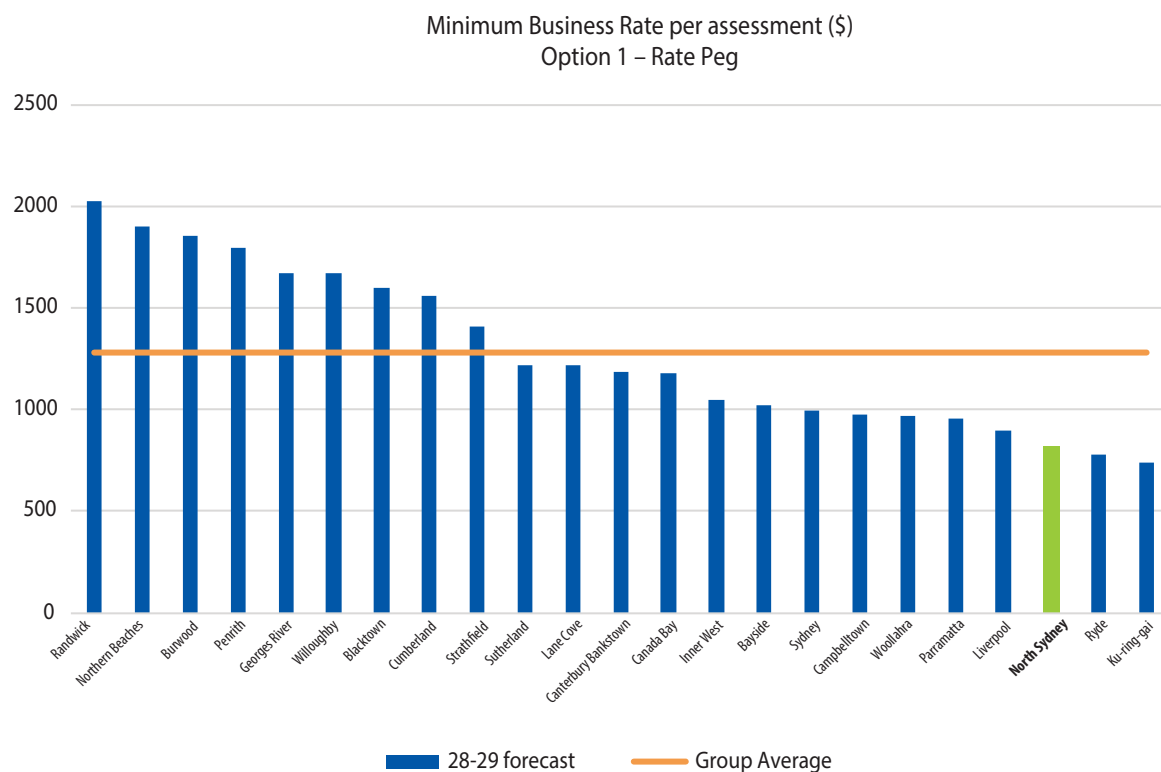


Chart 7: Minimum Business Rate per assessment – Option 1

Option 2 – variation to business minimum rate (as per below table)

	2025-26	2026-27	2027-28	2028-29
Business minimum rate	\$743.85	\$970.72	\$1,094.98	\$1,171.63
Increase		30%	13%	7%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison council's in years 2027-28 and 2028-29.

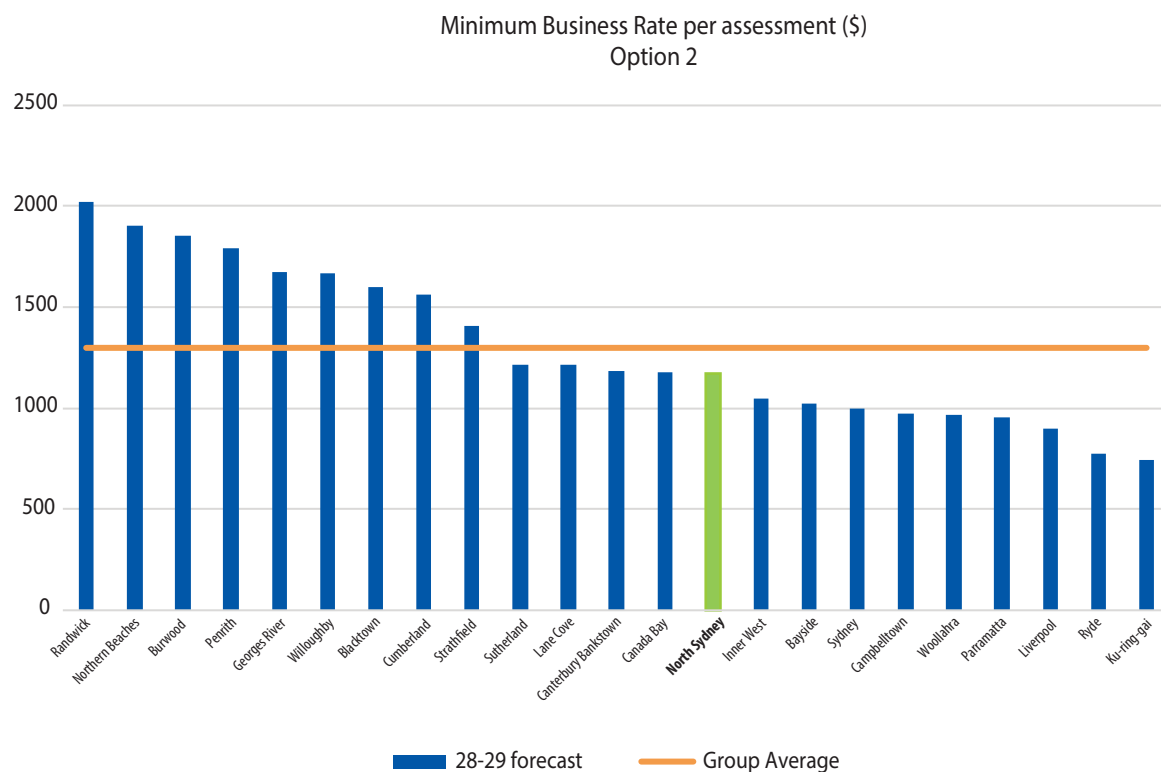


Chart 8: Minimum Business Rate per assessment – Option 2

Option 3 – variation to minimum rate (as per below table)

	2025-26	2026-27	2027-28	2028-29
Business minimum rate	\$743.85	\$970.72	\$1,116.32	\$1,216.79
Increase		30%	15%	9%

The following chart demonstrates a comparison with other councils at the end of the three-year period. This chart assumes announced rate peg and approved special variation increases for 2026-27, and a forecast 3% rate peg for all comparison council's in years 2027-28 and 2028-29.

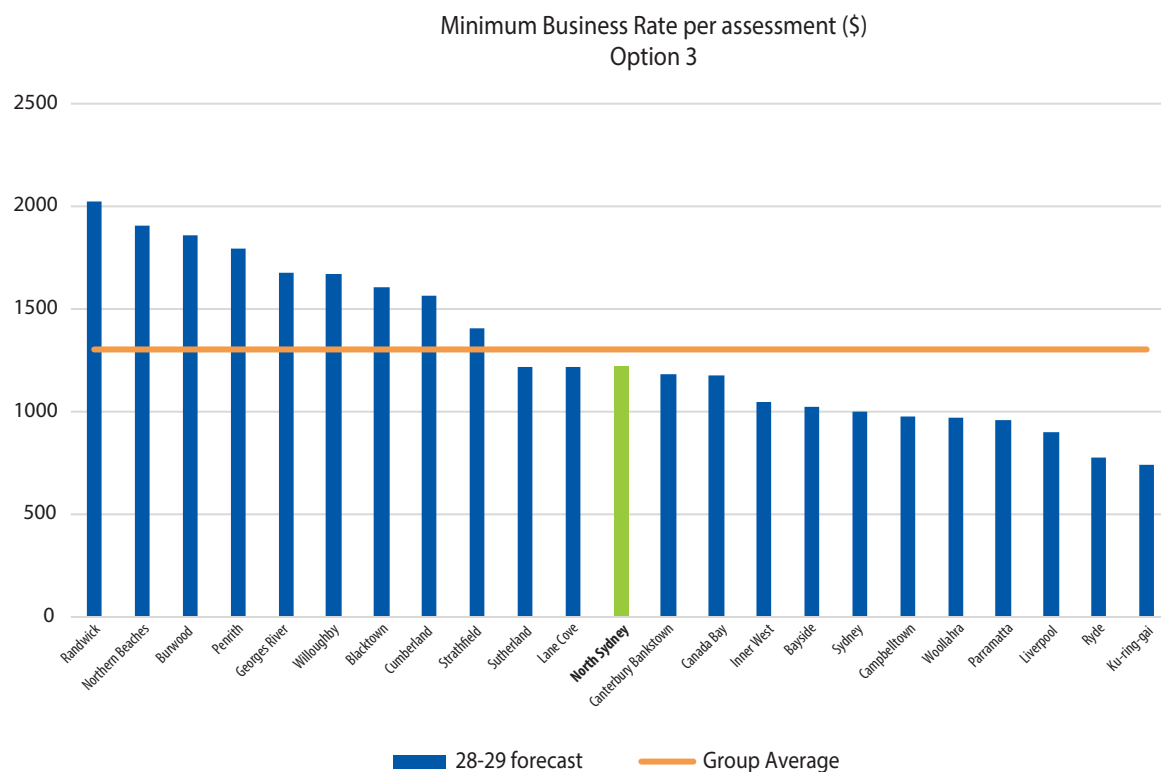


Chart 9: Minimum Business Rate per assessment – Option 3

PRIMARY PURPOSE

The primary purpose of the special variations presented in this plan is to maintain service delivery and manage infrastructure obligations. This includes investment in new corporate systems.

The options provide some provision for new infrastructure; however, these levels are considered inadequate for a growing population and will require future consideration.

In addition, the special variation options provide an opportunity to contribute to strategic objectives. The options are considered modest in this regard, with an average of \$0.39 million per annum funded within Option 2 and \$1.7 million per annum funded through Option 3. This includes important planning work to inform future revisions of this Long Term Financial Plan, including master planning of key public sites adjacent to Metro to provide for future community needs.

A detailed indicative prioritisation of these funds is included in Part 5 of this plan.

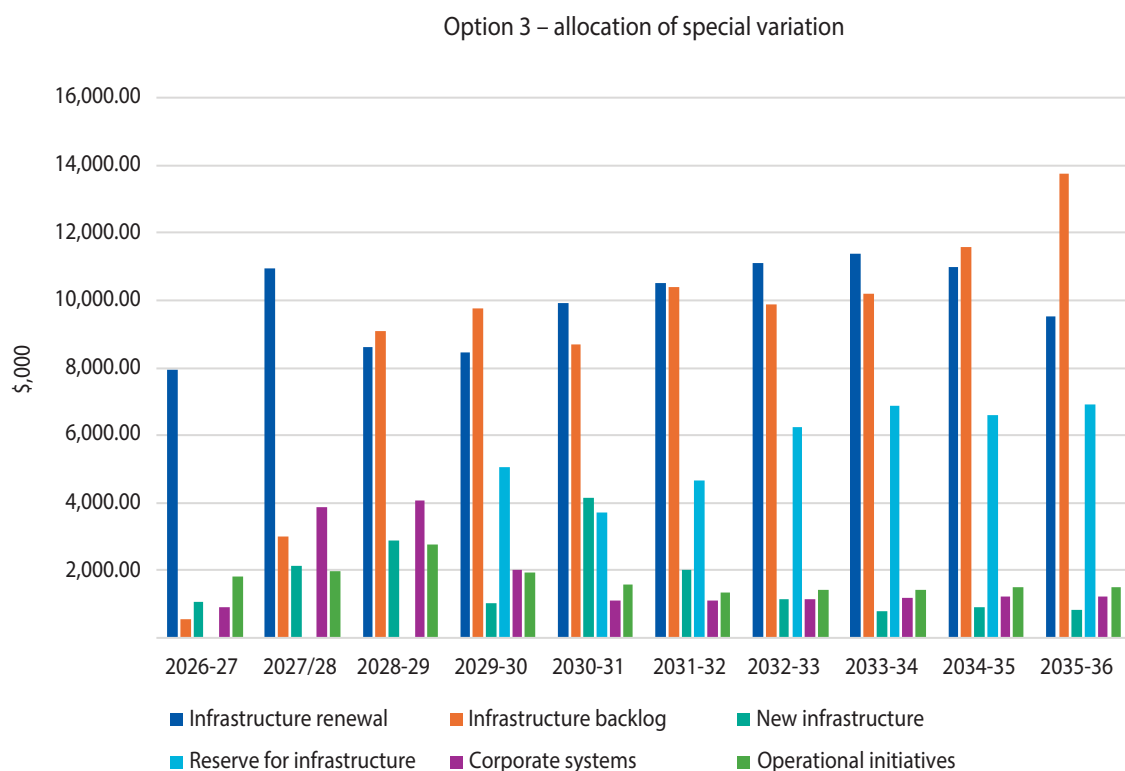


Chart 10: Option 3 – allocation of special variation

The medium term

The following table provides the special variation expenditure forecast for the first four years of the plan. Forecasts past this period become more sensitive to change.

	Option 1 (\$,000)	Option 2 (\$,000)	Option 3 (\$,000)
Projected indexed Special variation income over first 4 years (above rate peg)	Nil	\$63,647	\$90,017
Achieving minimum annual infrastructure renewals and maintaining service levels	No	\$37,223	\$35,997
Infrastructure backlog reduction	No	\$10,517	\$22,405
New infrastructure	No	\$0	\$7,110
Reserve for new infrastructure to support development contribution plan	No	\$3,000	\$5,064
New corporate systems	No	\$10,909	\$10,909
Operating initiatives	No	\$1,998	\$8,532

Based upon the assumptions outlined within this plan, the ten-year special variation expenditure would be as follows, noting sensitivity to change in the medium to long term.

	Option 1 (\$,000)	Option 2 (\$,000)	Option 3 (\$,000)
Projected indexed Special variation income over 10 years (above rate peg)	Nil	\$190,126	\$278,478
Achieving minimum annual infrastructure renewals and maintaining service levels	No	\$99,166	\$99,360
Infrastructure backlog reduction	No	\$51,692	\$86,900
New infrastructure	No	\$0	\$16,953
Reserve for new infrastructure to support development contribution plan	No	\$17,431	\$40,051
New corporate systems	No	\$17,910	\$17,910
Operating initiatives	No	\$3,927	\$17,304

Changes to the minimum rate would result in increased revenue through development of new properties. The following table demonstrates the additional cumulative income forecast based upon 300 new dwellings per year over the ten-year period. It is assumed that 50% of this funding will be prioritised towards infrastructure and 50% towards operating costs.

	Growth income (10-year cumulative)
Option 1	\$17.34 million
Option 2	\$23.86 million
Option 3	\$24.64 million

MEASURING FINANCIAL NEED

To assess Council's current financial performance and long-term sustainability, financial forecasts are developed over a ten-year horizon. These forecasts inform a detailed analysis of key financial indicators, including;

- Operating Performance Ratio
- Unrestricted Current Ratio
- Unrestricted Cash Expense Ratio
- and various Infrastructure Ratios.

Together, these measures provide a comprehensive view of Council's financial health – highlighting its capacity to fund services, maintain infrastructure, and respond to future challenges.

Council's current financial position is detailed in Option 1 of this LTFP and includes organisational improvement and increased income targets. These targets are estimates based on the available information at the time of developing this plan and are detailed in Part 5.

Based upon Council's current financial position, a special variation to permissible rating income is recommended. As outlined above, this increase is primarily focused on ensuring the sustainability of services and infrastructure, including the administration of these services through new corporate systems.

OPERATING PERFORMANCE RATIO

The Operating Performance Ratio (OPR) serves as a critical indicator of a council's financial health and sustainability.

It reflects whether ongoing operating revenue is sufficient to cover:

- Day-to-day operating expenditure
- Principal repayments on loans, and
- Non-grant funded infrastructure renewals and upgrades
- Reserves improvements to support future infrastructure upgrades (including co-contribution to developer contributions)

Traditionally, authorities such as the NSW Office of Local Government (OLG) have considered a benchmark OPR > 0% to indicate a council's ability to contain operating expenditure within its operating income. This threshold offers a straightforward assessment of short-term operational viability.

However recent financial sustainability guidance recognises that a simple "greater than zero" measure may not be universally appropriate. Councils exhibit varying balance sheet structures, infrastructure obligations, and borrowing requirements, which influence their capacity to fund critical renewals and service debt. As a result, more nuanced and context-sensitive benchmarks are now being developed.

The lower the OPR, the less capacity Council will have to address its infrastructure backlog. Council's current ten-year OPR forecast is as follows:

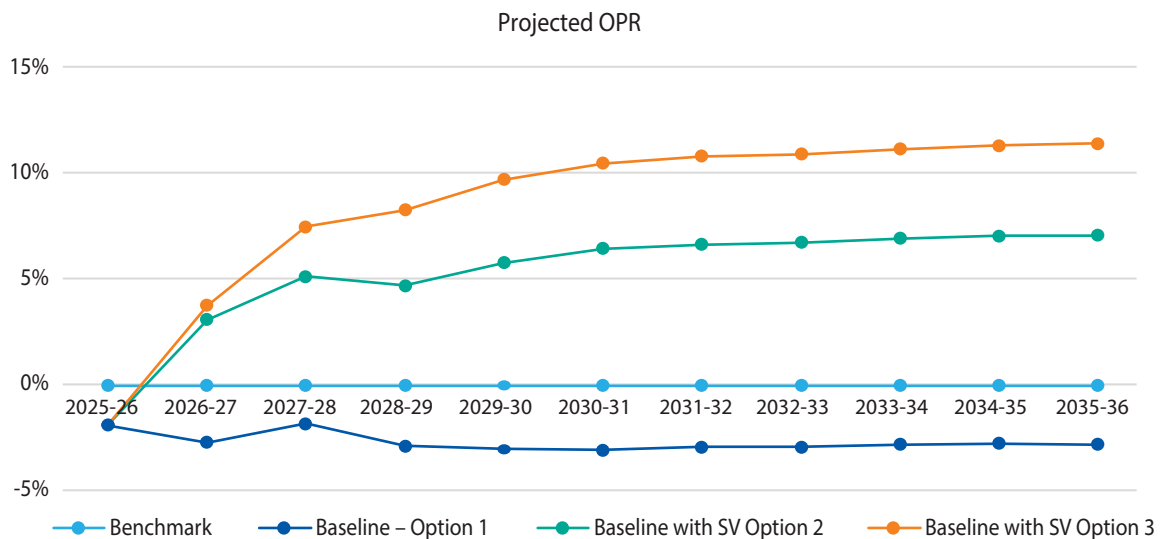


Chart 11: 2020 – 2035 actual and forecast operating performance ratio

	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Option1	(2.69%)	(1.81%)	(2.86%)	(3.01%)	(3.04%)	(2.91%)	(2.90%)	(2.78%)	(2.75%)	(2.80%)
Option 2	3.12%	5.16%	4.74%	5.82%	6.48%	6.68%	6.77%	6.97%	7.08%	7.12%
Option 3	3.81%	7.52%	8.33%	9.77%	10.52%	10.86%	10.96%	11.20%	11.36%	11.45%

Why is Council proposing an OPR of greater than 0%?

The operating performance ratio is calculated as follows:

$$\frac{\text{net operating result for the year before capital grants and contributions}}{\text{income from continuing operations less capital grants and contributions}}$$

In simple terms, a 0% operating performance ratio would indicate the Council has an ability to fund its operations including renewal of infrastructure.

However, in practice, there are items of income and expenditure within the net operating result that are restricted and unable to be used for operational purposes and there are balance sheet obligations outside of standard renewals that require funding.

In addition to providing for operating expenditure, Council also has the following funding commitments and responsibilities above a 0% operating performance ratio:

1. Interest revenue associated with developer contributions cannot be used for operating purposes and must be transferred to an externally restricted reserve.
2. Surplus income from domestic waste management cannot be used for operating purposes and must be transferred to an externally restricted reserve.
3. Council has principal loan repayment obligations located on the balance sheet but must be funded from operating performance.
4. As at 30 June 2025, Council's recorded infrastructure backlog is \$157 million. Reductions in this backlog must be funded from operating performance.
5. As a growth Council, new infrastructure will be required by the growing population. While some of this will be funded from developer contributions, Council is required to make a co-contribution to most of these projects. This capital expenditure must be funded from operating performance.

The following table provides indicative commitments over and above the 0% Operating Performance Ratio for Year 1 of each option.

Commitments requiring greater than 0% Operating Performance Ratio			
	Option 1 Base – Year 1 \$,000	Option 2 – Year 1 \$,000	Option 3 – Year 1 \$,000
Interest income required to be restricted for development contributions reserve	\$2,082	\$2,082	\$2,082
Domestic waste (DWM) surplus required to be transferred to DWM reserve	\$2,221	\$2,221	\$2,221
Funding required to pay principal debt obligations	\$5,077	\$5,077	\$5,077
Reduction in infrastructure backlog (above annual depreciation)	\$0	\$408	\$561
New council funded infrastructure	\$608	\$608	\$1,674
Total commitment	\$9,988	\$10,396	\$11,615
% of income from continuing operations less capital grants and contributions	6.36%	6.21%	6.86%

As demonstrated in the above table, a minimum Operating Performance Ratio of above 6% is required in all three options in Year 1. This percentage increases in options 2 and 3 as the commitment to addressing infrastructure backlog and new infrastructure needs increases.

Currently Option 1 Operating Performance Ratio is forecast at -2.69% in Year 1 and averages -2.75% over the 10 year period, this suggests that without a ten-year special variation to increase rating revenue, the council would continue be unable to fund annual infrastructure renewals, reduce infrastructure backlogs or provide infrastructure for the growing population. This would not be financially sustainable over the long term if the council is to deliver the services and infrastructure in its adopted plans.

UNRESTRICTED CURRENT RATIO

The unrestricted current ratio is an indicator of a council's financial position. It indicates a council's ability to meet its short-term obligations as they fall due – liquidity. The industry benchmark for the ratio is 1.5 times.

As at 30 June 2025, Council's unrestricted current ratio was recorded as 1.5 times. This means that Council has \$1.50 in unrestricted current assets to meet \$1.00 of unrestricted current liabilities. A ratio of 1.5 or less is considered unsatisfactory.

A higher unrestricted current ratio would indicate that the council has saved funds for future infrastructure investment.

Based upon Council's current ten-year forecast (Baseline – Option 1), Council's unrestricted current ratio would range from 1.63 times to 1.98 times. This is considered acceptable for maintaining liquidity; however the ratio has been maintained by reducing infrastructure renewal expenditure at rates well below benchmark.

Low renewal ratios, combined with infrastructure backlogs are likely to result in reactive need for funding due to public safety or community demands. It is therefore possible that the forecast renewal budget in this Long-Term Financial Plan will be overspent which would lead to a decline in the unrestricted current ratio to unsatisfactory levels.

This suggests that without a special variation to increase rating revenue, the council would not have sufficient cash and investments to be financially sustainable if the council is to deliver the services and infrastructure in its adopted plans. Council could manage its liquidity, however under this scenario, infrastructure conditions and service levels would require reduction.

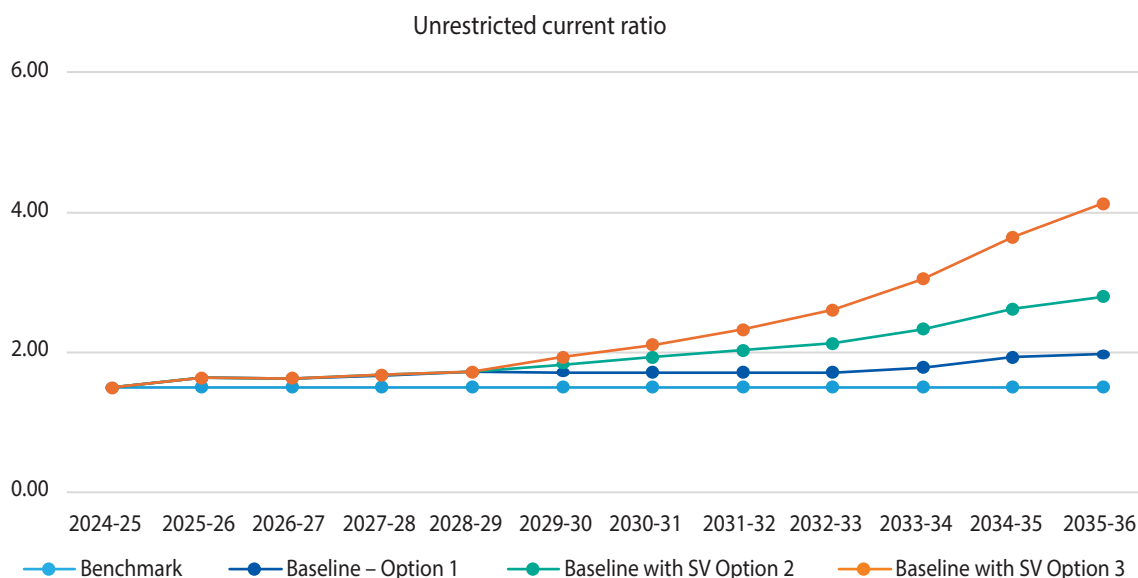


Chart 12: Forecast unrestricted current ratio

	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Option1	1.63	1.67	1.72	1.71	1.71	1.71	1.71	1.78	1.93	1.98
Option 2	1.63	1.68	1.72	1.83	1.93	2.03	2.13	2.33	2.62	2.80
Option 3	1.63	1.68	1.72	1.93	2.11	2.33	2.61	3.05	3.65	4.12

Note: the higher unrestricted current ratio in later years within option 3 is due to increased capital infrastructure reserves designed to support the delivery of priority projects including those within Council's Development Contribution Plan.

UNRESTRICTED CASH EXPENSE RATIO

The unrestricted cash expense ratio is an indicator of a council's financial position. It measures how many months a council can continue to operate without new cash inflows.

The industry benchmark for the ratio is greater than 3 months, which would indicate sufficient funds to cover immediate costs and act as a buffer for unexpected events or financial challenges.

As at 30 June 2025, Council's unrestricted current ratio was recorded as 2.53 months.

Based upon Council's current ten-year forecast (Baseline – Option 1), the council's unrestricted current ratio would range from 2.62 months to 2.24 months. This is considered unsatisfactory.

Low renewal ratios, combined with infrastructure backlogs are likely to result in reactive need for funding due to public safety or community demands. It is therefore possible that the forecast renewal budget in this Long-Term Plan will be overspent which would lead to further decline in the unrestricted cash expense ratio.

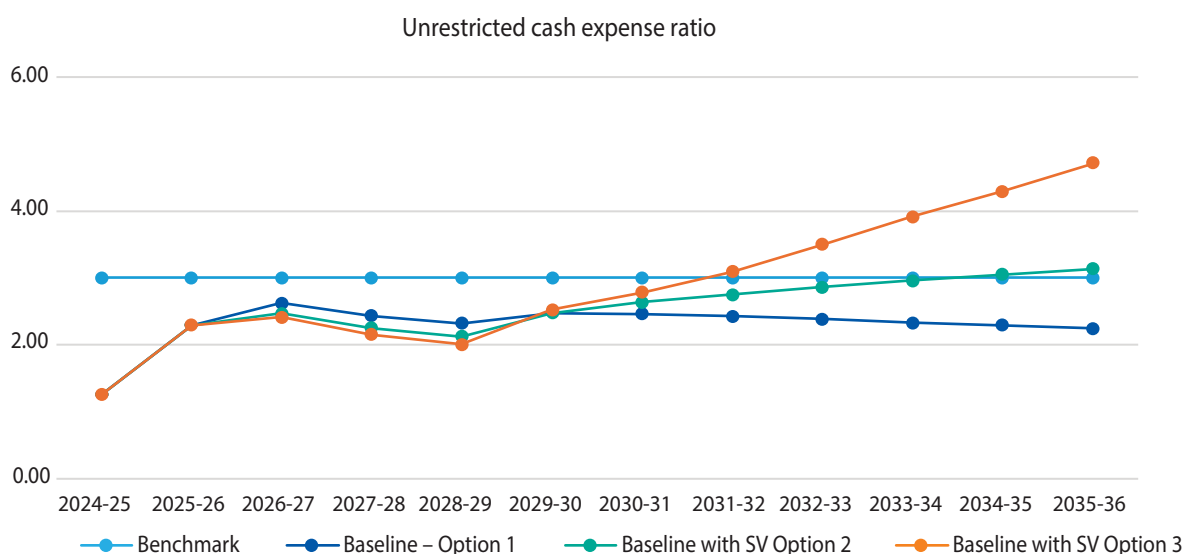


Chart 13: Forecast unrestricted cash expense ratio

	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Option1	2.62	2.43	2.32	2.47	2.46	2.42	2.38	2.33	2.29	2.24
Option 2	2.47	2.25	2.12	2.47	2.63	2.75	2.86	2.96	3.05	3.13
Option 3	2.41	2.15	2.00	2.52	2.78	3.09	3.50	3.91	4.29	4.71

Note: the higher unrestricted cash expense ratio in later years within option 3 is due to increased capital infrastructure reserves designed to support the delivery of priority projects including those within Council's Development Contribution Plan.

THE INFRASTRUCTURE BACKLOG RATIO

The infrastructure backlog ratio indicates whether the council has a need for additional revenue to maintain its infrastructure assets. It shows the infrastructure backlog as a proportion of the total value of a council's infrastructure. OLG's benchmark for the infrastructure backlog ratio is less than 2%.

Assets requiring renewal are those in condition 4 (poor) or 5 (very poor). Renewal values are indicative only and provide estimates for like renewal only and not for upgrade costs based on new community needs. Council manages infrastructure through technical service levels and community service levels.

Council's recent community research undertaken by Micromex Research concluded that the community expects infrastructure to be in fair condition as a minimum, with reasonable support for very good/good condition.

Asset class	What condition do you consider acceptable?		
	Very good/good	Fair	Poor/Very poor
Roads and Transport Infrastructure	45%	51%	4%
Bus shelters and street furniture	28%	62%	10%
Footpaths	35%	61%	4%
Parks, reserves and sportsfields	38%	59%	3%
Supporting infrastructure	27%	70%	3%
Buildings	28%	69%	3%
Stormwater	45%	52%	3%

As at 30 June 2025, Council's infrastructure backlog ratio was recorded as 14.04%. The total value of infrastructure condition 4 and 5 was \$157 million. Assets in condition 5 (very poor) has increased from 2.9% to 4.6% of gross replacement cost in the past year and now total \$69.77 million.

Typically, depreciation values are used as a minimum funding contribution to infrastructure renewals. Infrastructure is depreciated over the useful life of the asset, which ensures that each generation contributes to the use and enjoyment of the infrastructure each year.

Over the past five years, due to increased costs associated with the North Sydney Olympic Pool, insufficient funding has been available to fund renewals at 100%. The total un-indexed renewal deficit over this period has been \$43 million.

Based upon Council's current ten-year forecast (Baseline – Option 1), continued underfunding of infrastructure renewals could lead to the ratio increasing to 31.56% or \$339 million over the ten-year period. This forecast is calculated each year as follows:

commencing infrastructure backlog + annual depreciation – renewal budget

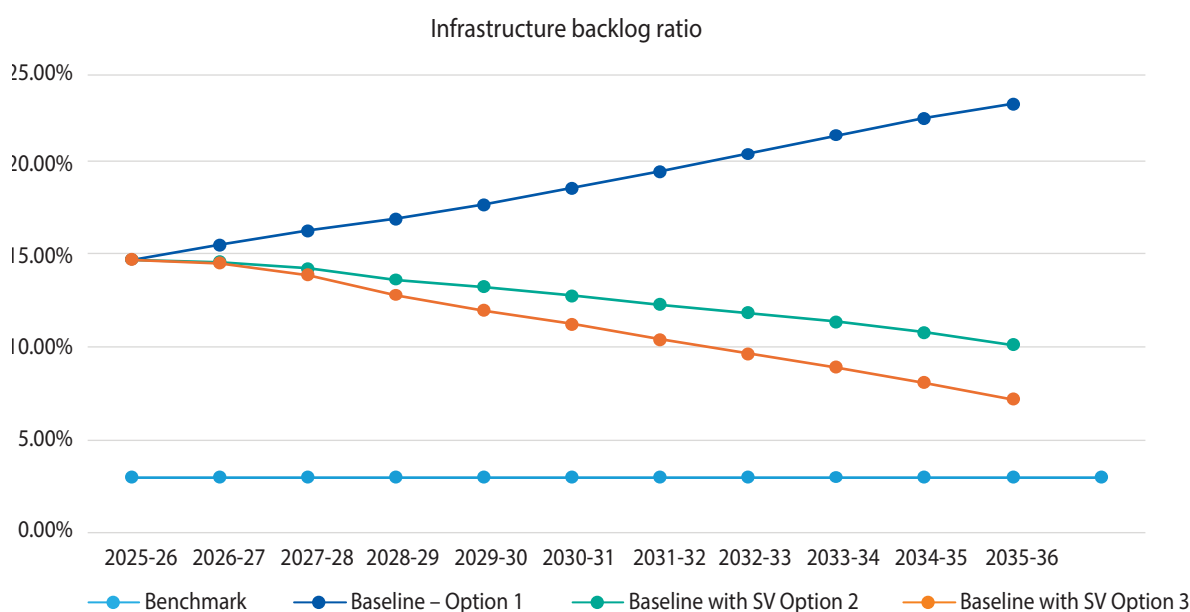


Chart 14: Forecast infrastructure backlog ratio

	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Option1	15.49%	16.25%	16.88%	17.66%	18.53%	19.44%	20.39%	21.36%	22.28%	23.07%
Option 2	14.56%	14.21%	13.62%	13.21%	12.75%	12.28%	11.82%	11.35%	10.79%	10.10%
Option 3	14.50%	13.85%	12.80%	11.97%	11.22%	10.38%	9.63%	8.89%	8.09%	7.18%

This indicates that without a special variation to increase rating revenue, Council's infrastructure backlog ratio will remain below the benchmark and continue to deteriorate over time.

With a special rate variation the ratio will still remain below benchmark, however the backlog will improve. Investment in new corporate systems, including asset management systems, will increase Council's asset management maturity and provide improved data to support funding prioritisation and inform future financial strategies.

THE INFRASTRUCTURE RENEWAL RATIO

The infrastructure renewal ratio measures the rate at which the council is renewing its infrastructure assets against the rate at which they are depreciating. OLG's benchmark for the infrastructure renewals ratio is greater than 100%.

Based upon Council's current ten-year forecast (Baseline – Option 1), the Council's infrastructure renewal ratio would average 69%.

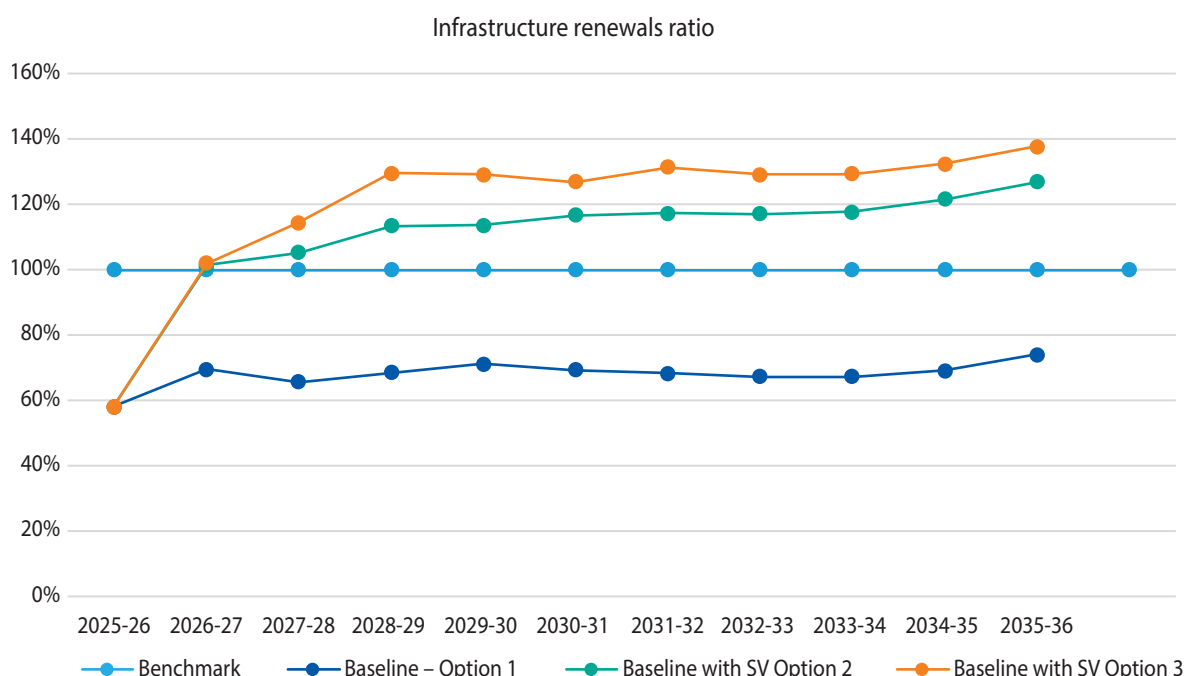


Chart 15: Forecast infrastructure renewal ratio

	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Option1	69%	66%	68%	71%	69%	68%	67%	67%	69%	74%
Option 2	101%	105%	114%	114%	117%	117%	117%	118%	122%	127%
Option 3	102%	114%	130%	129%	127%	131%	129%	129%	132%	138%

This indicates that without a special variation to increase rating revenue, the Council's infrastructure renewal ratio will remain below the OLG benchmark and continue to deteriorate over time.

Note: the results above 100% within option 2 and 3 reflect spending on infrastructure backlogs.

THE ASSET MAINTENANCE RATIO

The asset maintenance ratio compares actual versus required asset maintenance. OLG's benchmark for the asset maintenance ratio is greater than 100%.

Based upon Council's current ten-year forecast, (Baseline – Option 1), due to insufficient funding for infrastructure renewal, Council's asset maintenance ratio would reduce to 64% by Year 10.

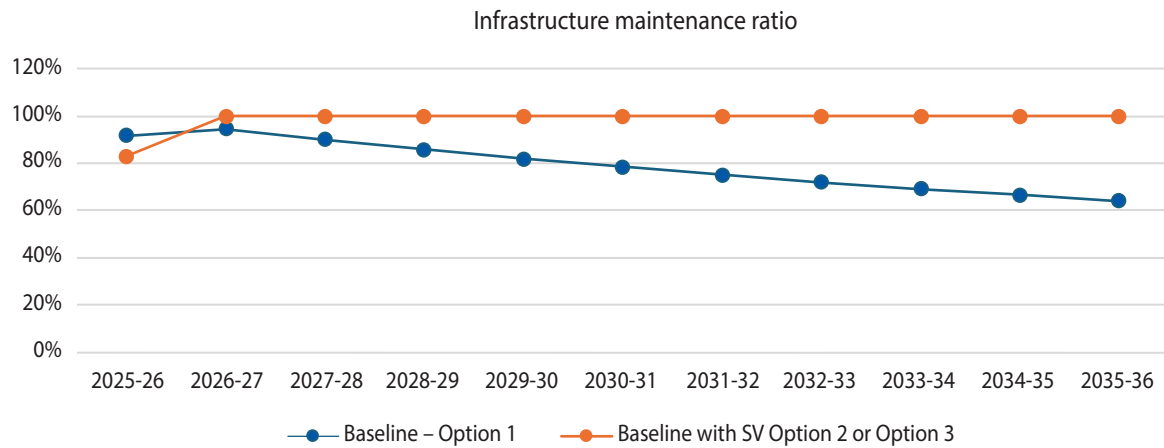


Chart 16: Forecast asset maintenance ratio

	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Option1	95%	90%	86%	82%	78%	75%	72%	69%	66%	64%
Option 2	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Option 3	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

This indicates that without a special variation to increase rating revenue, the council's asset maintenance ratio will remain below the OLG benchmark and continue to deteriorate over time.

ALTERNATIVES TO A RATE RISE

Before considering any increase to rates, Council has explored a range of alternative financial strategies to strengthen its financial position. In line with responsible financial management and community expectations, Council has examined opportunities to reduce costs, improve operational efficiency, increase non-rate revenue, and reprioritise capital and service expenditure. This section outlines the strategies assessed and actions taken to address the financial challenges facing Council, with the aim of reducing the impact of rating increases.

Reduction in service levels

In August 2025, Council commissioned an independent survey to understand the community's expectations regarding service levels. Specifically, whether the community would like to see a reduction in service levels, maintenance of service levels or an increase in service levels, with the understanding that to maintain or increase service levels, a rate rise would be required.

Within its 2025-2029 Delivery Program, Council included an annual financial repair target of \$6 million, which would require new or increased income, productivity improvement and service level reductions. Engagement on this plan indicated a low appetite for service level reductions. To confirm this position, Council commissioned independent research company Micromex Research to undertake a demographically selected service level review with the community to determine opportunities for service reduction.

The methodology provided for a sample selection and maximum error rate as follows:

Community baseline measure: A total of N=505 resident interviews were completed via telephone, N=100 were completed via online community panels. A sample size of N=605 provides a maximum sampling error of plus or minus 4% at 95% confidence.

Informed community response: A total of N=302 residents completed Stage 2 of the research, all of whom had completed Stage 1 questionnaire. A total sample size of N=302 residents provides a maximum sampling error of plus or minus 5.6% at 95% confidence.

In addition to the demographic survey, the same survey was available to the community via council website. A total of N=433 completed the survey.

The research concluded that there is little appetite for 'less' – the majority of residents want services/infrastructure to at least be maintained, if not improved – even knowing that maintaining/increasing services will require an increase in rates. This was consistent in both the demographic survey and the opt in community survey.

Reduction in strategic funding

Following the full refusal of Council's last Special Rate Variation (SRV) application by IPART, careful consideration has been given to reducing both capital and operational budgets originally developed in response to research and community consultation for Council's eight key informing strategies.

These strategies address important priorities in the areas of environment, economic development, social inclusion, housing, culture and creativity, integrated transport, and open space and recreation. The initial budgets were designed to position Council to respond to both current and emerging challenges across these domains.

Original Proposal Overview

The previous SRV proposal included:

- \$60.6 million in new operational expenditure,
- \$97.9 million in new and upgraded infrastructure, and
- An increase of \$67 million in unrestricted reserves to provide financial capacity for future infrastructure priorities, including projects under Council's Developer Contribution Plan.

Revisions in Current Special Variation Options

To reduce the impact of rate increases on the community, significant reductions have been made to the funding levels in both operational and capital budgets within the current SRV options.

Option 2 – Minimal Investment Focused on Corporate Systems

- \$21 million in new operational expenditure, including:
 - \$17.9 million allocated to new corporate systems.
- No direct funding for new infrastructure.
- \$17 million reserved for future capital infrastructure priorities, including delivery of projects within the Developer Contribution Plan.

Option 3 – Moderate Investment with Infrastructure Support

- \$35 million in new operational expenditure, including:
 - \$17.9 million for new corporate systems.
- \$16.9 million allocated to new capital infrastructure projects.
- \$40 million reserved for future capital infrastructure priorities, again supporting the realisation of projects within the Developer Contribution Plan.

Reduction in infrastructure backlog commitment

Council's current infrastructure backlog is valued at \$157 million and is expected to increase over time as infrastructure costs rise. Assuming no additional investment, and applying a conservative annual indexation of 2.5%, the backlog would grow to \$338 million by Year 10. This projection also accounts for the currently low level of renewal funding in 2025-26.

- Council's previous Special Variation submission, \$139.6 million was allocated to address infrastructure backlog and bring assets to a satisfactory standard. However, the revised Special Variation options now propose a reduced level of funding for backlog remediation.
- Option 2 allocates \$51.7 million to infrastructure backlog reduction, addressing the renewal shortfall from the past three years. This investment is projected to deliver an 18% reduction in infrastructure backlog over the ten-year period.
- Option 3 includes a more substantial commitment of \$86.9 million, projected to deliver a 21% reduction in the infrastructure backlog over the ten-year period.

While the total funding for backlog reduction has decreased compared to the earlier submission, both options include investment in modern corporate systems. These systems will improve asset data quality, enhance reporting capabilities, and support a stronger business case for future infrastructure investment.

Additional loan funding – North Sydney Olympic Pool

The North Sydney Olympic Pool project (still under construction at the time of writing) is expected to have a capital cost of \$122 million. To date, Council has taken out \$61 million in loan funding for this project. An additional \$20.9 million has been sourced from grants and developer contributions.

As part of the community research undertaken by Micromex Research, community appetite for increased debt was measured.

- 47% do not support increased debt, while 17% were open to increased debt.
- 70% of respondents agree that reoccurring costs and renewals should be funded from annual revenue rather than loans.
- 65% of respondents agree that loans should be considered for infrastructure projects which will generate income to cover borrowing costs.
- 39% agree that loans should be considered to accelerate the delivery of new/upgraded infrastructure.

In considering increasing loan funding for the North Sydney Olympic Pool project above current levels, the following has been considered:

- **Renewal cost vs new:** The original North Sydney Olympic Pool (NSOP) was built nearly 90 years ago and was due for renewal. Currently, \$61 million in loan funding has been secured for this project, in addition to \$5.7 million in developer contributions, and \$15 million in government grants. While the redevelopment provides an upgrade on the original swimming facility, a large part of the project relates to renewal works.
- **Income and expense projections** indicate that the project will carry a net average annual loss of \$3.5 million including depreciation and \$0.989 million excluding depreciation over the ten year period of this plan. The infrastructure is not in a position to fund an increase in borrowing costs.
- **Increasing the amount of loan funding** and therefore the costs (cumulative interest) passed on to future generations for the purposes of renewal is not considered fair and equitable.
- **Council currently has a development contributions plan** that requires council co-contribution to deliver the projects within the plan. Council's forecasts do not provide sufficient funding to do this, and it is therefore prudent to maintain some borrowing capacity.

Other sources of income

Council has reviewed existing non-rate revenue sources to identify opportunities to increase income from these sources. These are forecasts only and are sensitive to change.

The following new income has been included within all options for Years 1 to 10 of the plan (indexed) :

- Sale of tickets for New Years Eve fireworks viewing – \$307,500
- User charges and fees for use of parks and open spaces – \$210,000

In addition, revenue forecasts for the following sources have been increased for Years 1 to 10 of the plan (indexed):

- Increased compliance charges – \$295,000
- Increased income – North Sydney Oval – \$205,000
- Increased advertising in the public domain – \$802,000
- Increased permit fees – \$67,200
- Changes to parking patrol – \$739,000
- North Sydney Olympic Pool corporate events – \$300,000 (increased to \$500,000 in Year 2).

Council is also committed to exploring naming rights and/or sponsorship for the North Sydney Oval and North Sydney Olympic Pool; however we are unable to source a reliable estimate of potential revenue at this point as heritage considerations and existing user agreements must be fully explored in the first instance.

As mentioned above, non-rate revenue sources remain sensitive to change. An example of this is car parking income which has reduced over the past year due in large part to the opening of the Metro and reduced demand for car travel.

Liquidity Measures

To help reduce the immediate impact of rating increases, Council has implemented a range of short-term liquidity measures. These actions are designed to ease financial pressure on the community, providing time for residents to adjust their household budgets. Many of these measures have been applied over several years, with more intensive efforts in 2024-25 and 2025-26.

The measures taken to bolster short-term cash flow and mitigate liquidity risks include:

- Holding staff vacancies
- Reducing general operating expenditure
- Deferring asset renewal programs
- Delaying non-essential capital upgrades
- Increasing Council's loan borrowing capacity.

While these strategies have delivered temporary improvements to cash and investment balances, they come with operational and strategic trade-offs. Prolonged deferral of renewals and capital projects can accelerate asset degradation, increase long-term maintenance costs, and reduce service levels. Similarly, staffing constraints and expenditure cuts place additional pressure on workforce capacity, morale and service delivery. These actions, while necessary in the short term, are not sustainable solutions to Council's structural financial challenges.

Sale of Property

Council currently holds a mix of income-generating and community-use properties that form an important part of its asset base. During community consultations, some submissions proposed the sale of Council-owned property as an alternative to increasing rates in order to address the current financial challenges.

While asset sales may provide a short-term injection of funds, Council has determined that this is neither a sustainable nor prudent solution to the structural financial issues it faces. Unplanned or reactive disposal of public land could result in significant opportunity costs for future generations and diminish Council's ability to meet long-term community needs.

To support financial sustainability and uphold principles of intergenerational equity, Council will approach the potential sale or redevelopment of property strategically. A property strategy will be developed to assess financial needs alongside community service requirements, ensuring that any decisions are evidence-based and future-focused. This process will begin with the prioritisation of property planning for three key sites: the Crows Nest Community Centre precinct, the North Sydney Civic precinct, and the Ward Street car park.

Although the potential benefits of asset optimisation may be realised in the medium to long term, upfront investment will be required to undertake property reviews, planning, and feasibility studies. In evaluating any future property sales, Council has identified the following key considerations:

- North Sydney's growing population will increase demand for public land and community facilities, making retention of key sites strategically important.
- Without significant improvements to Council's financial position, opportunities to purchase additional land in future may be limited.
- Proceeds from any property sale must deliver clear and lasting community benefit – either through reinvestment in public infrastructure or by providing equal or improved access to public spaces and services.

Achieving additional operational grants

Consideration has been given to the possibility of increasing operating grants to support increasing community needs. Opportunities for operational grant funding are generally limited. The majority of Council's operating grant comes from the Federal Government Financial Assistance Grant, which for 2025-26 is \$2.55 million.

Operating grants and contributions over the past ten years have remained relatively steady, with an average revenue of \$5 million over the period, and \$4.9 million received in 2024-25.

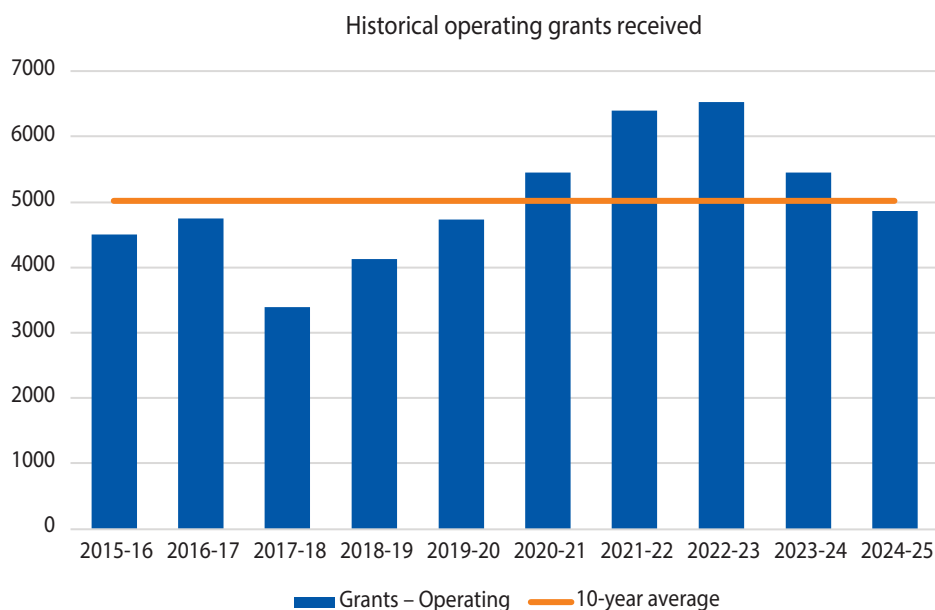


Chart 17: Historical operating grants received

Achieving additional capital grant income

Capital grants from State and Federal Governments remain comparatively modest relative to overall infrastructure expenditure.

Capital grants is an important avenue for funding new or upgraded infrastructure. However it is important that readers understand that the level of grant funding available is limited and will not materially address Council's infrastructure challenges.

Grant programs typically require projects to be shovel-ready and aligned with new funding opportunities as they are introduced. It is therefore important that investment is given to planning and design for infrastructure needs.

It should be noted that securing grants is becoming more challenging due to the government's heightened emphasis on Western Sydney.

The graph demonstrates the low reliance on capital grants for infrastructure needs. The two peaks illustrated denote periods of grant funding allocated to the North Sydney Olympic Pool.

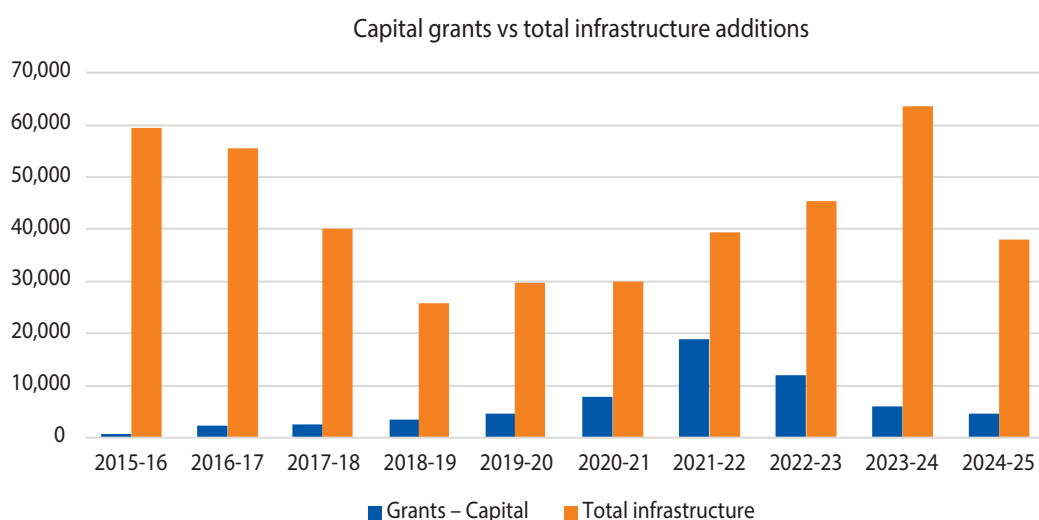


Chart 18: Capital grants vs total infrastructure additions

Increased draw-down on development contribution reserves

A review of development contributions reserves has been undertaken with a view of accelerating spending on projects funded from developer contributions

Capital works funded from developer contributions have been included as follows.

	10-year infrastructure plan funded from development contributions
Option 1	Nil
Option 2	\$40.9 million
Option 3	\$45.2 million

No projects have been included in Option 1 due to reduced organisational capacity.

Option 2 and 3 include projects included in Council's Development Contributions Plan. Examples include:

- New stormwater storage tank at Bon Andrews Oval – 100% developer contributions (Options 2 & 3)
- Woodley's Shed fit out – 100% developer contributions (Options 2 & 3)
- Bushland walking tracks – 14% developer contribution (Option 3)
- Improved drainage, irrigation and playing surfaces at Primrose Park sports fields – 23.08% developer contributions funded (Option 3)
- Playground upgrades – 43% developer contribution (Options 2 & 3)
- Public domain upgrades – 15% developer contribution (Option 3)

Sale of Roads and Underutilised Reserves

As part of its broader review of asset optimisation opportunities, Council has also considered the potential sale of public road reserves and other underutilised land parcels. To date, Council has approved the commencement of negotiations for two road reserve sites: Monford Place, Cremorne and a portion of Edward Street, North Sydney. Under current legislation, proceeds from the sale of road reserves are restricted and must be reinvested specifically into road and transport infrastructure.

These transactions may provide funding for priority projects – such as addressing road renewal backlogs or delivering transport related upgrades outside the existing capital works program. The value of these sales remains uncertain and is subject to complex negotiations and regulatory processes. Recognising this, Council views the sale of road reserves and underutilised land as a medium- to long-term opportunity rather than an immediate financial remedy. Sale proceeds have not been included within the LTFP, however if realised will positively impact transport related asset backlogs.

A broader review of underutilised road reserves will also be undertaken to identify any further sites that may be suitable for disposal. Any such decisions will be carefully considered to ensure they align with strategic planning objectives and deliver measurable community benefit.

Removing or deferring funding for new corporate systems

One option considered to reduce the overall funding requirement has been to remove or delay investment in new corporate systems. Council's current systems and technology are outdated, inefficient, and poorly integrated – requiring duplicated data entry and manual intervention. This not only limits operational efficiency and increases risk, but also negatively impacts decision-making, funding prioritisation, service delivery and customer satisfaction.

Investment in modern, integrated systems is critical to improving productivity, enabling data-driven decision-making, and meeting contemporary community expectations. Further, given the rapidly expanding opportunities in artificial intelligence, it is critical that our systems allow us the leverage this new technology. Further information is provided in Part 5, in relation to the need for new systems.

The total up-front value of investment required for a new ERP corporate system is approximately \$8 million, with additional operating costs of an average of \$1.45 million per annum. Considering both implementation and ongoing costs, the ten-year average annual cost is estimated at \$1.79 million per annum. This is the equivalent of 1.06% of total base case revenue and is considered an important investment.

Implementation of a new corporate system will take approximately 4 – 5 years.

Reducing the domestic waste charge

Reducing the domestic waste charge to reduce the impact of rating rises was considered, however is not a strategy that has been adopted for the reasons explained below.

Greater Sydney is facing a waste crisis due to the limited capacity of existing landfills. According to the NSW Environment Protection Authority (EPA), landfill expected to be exhausted by 2030 without significant intervention. The consequence of this is that waste disposal costs are expected to rise.

In addition, Council is required by legislation to implement a new food waste disposal system by July 2030. Estimates for the cost of this service range from \$5 million to \$8 million. In addition, waste contracts expire June 2029 and are subject to market conditions at that time. It is expected that domestic waste charges will increase in line with these two critical drivers. Council is currently transferring approximately \$2 million to the domestic waste reserve each year to allow for development and implementation of FOGO and to allow for transition in pricing for domestic waste.

Reducing the levy to combat the burden of increased ordinary rates will lead to a more significant price rise in future years.

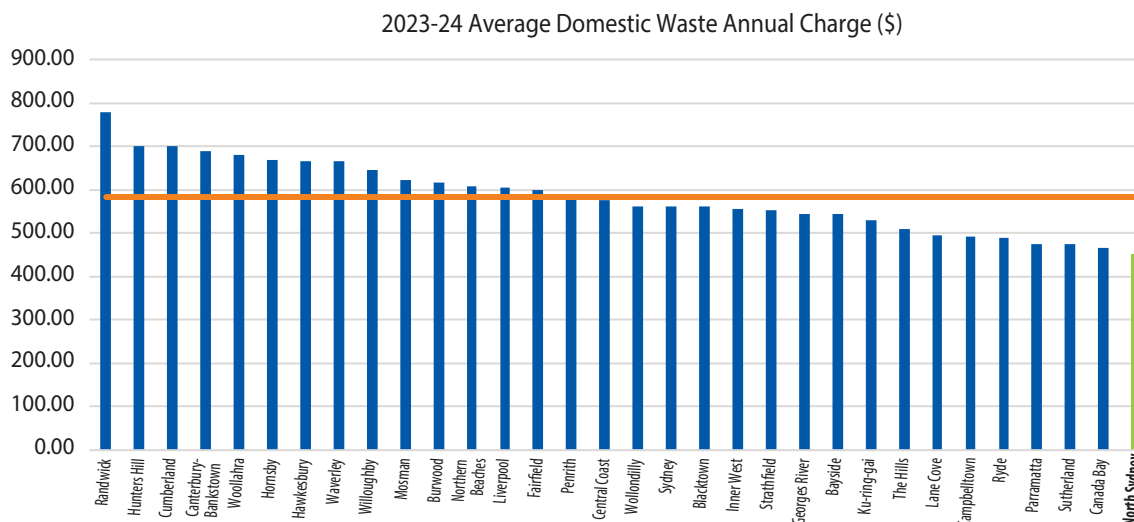


Chart 19: 2023-2024 Average Domestic Waste annual charge

Organisation improvement

There are several areas within Council's administration and operations that require improvement to reduce risks related to legislative compliance, financial sustainability, asset management, and business continuity.

To address these challenges, Council has pursued organisational improvement initiatives aimed at reducing risk and enhancing decision-making and productivity. These initiatives can lead to direct cost savings or allow the Council to maintain existing costs while delivering greater outputs and outcomes for the community.

In 2023 Council embarked on an ambitious improvement journey that includes an ongoing commitment to increasing productivity and effectiveness through targeted projects and initiatives. This journey has resulted in significant productivity saving to date, and further savings are projected for future years. However, even with these savings, the funding gap is projected to increase without a Special Variation (SV) to rating increase.

Council's Productivity and Improvement Plan highlights the key productivity achievements to date and details planned improvement activities. It demonstrates to the community, IPART and the Office of Local Government that Council has made sustained efforts to minimise the impact of an SV on the community through internal productivity reforms.

The plan outlines \$52 million in cumulative savings and additional income including for the 10-year period:

- \$23 million in reduced expenditure, including employee benefits and on-costs, materials and services, and other expenses.
- \$29 million in increased income, including user fees and charges and other revenue sources.

This reduced expenditure and increased income has been included in the 2026–2036 Long-Term Financial Plan (LTFP).

In addition to these direct operational savings included in the LTFP, ongoing cost containment measures of \$43 million over the next ten years have been identified, along with a one-off cost containment of approximately \$0.8 million in 2024-25. These figures represent expenditure that has been avoided.

While cost containment figures do not appear as reductions in the budget, they reflect costs that would otherwise have been incurred and would have required higher rates to fund.

This plan is available as an attachment to the Long-Term Financial Plan, and demonstrates that without improvement actions being taken, an additional 14.9% in cumulative rating increases over three years would be required.

Attachment 1 contains the detailed plan which outlines past and current productivity gains, along with forecast productivity gain.

PART 4

Financial Modelling

The following tables provide forecast financial reports for each of the three options including:

- Income Statement
- Balance Sheet
- Cash Flow Statement

This section also outlines the assumptions and sensitivities relevant to financial forecasts.

OPTION 1: FINANCIAL FORECASTS

INCOME STATEMENT												
Income from continuing operations	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
Rates	61,562	64,881	67,740	70,043	72,424	74,884	77,427	80,055	82,772	85,579	88,480	91,478
Rates – Special Variation			–	–	–	–	–	–	–	–	–	–
Annual charges	18,258	18,584	19,142	19,716	23,162	23,737	24,326	24,930	25,549	26,183	26,833	27,499
User charges & fees	30,734	34,683	34,585	35,448	36,333	37,241	38,162	39,115	40,092	41,094	42,120	43,172
User charges & fees – NSOP		3,640	6,703	8,005	9,115	9,343	9,576	9,816	10,061	10,313	10,571	10,835
Other revenue	13,967	11,895	12,708	13,026	13,352	13,686	14,028	14,378	14,738	15,106	15,484	15,871
Grants and contributions – operating	4,869	4,455	5,177	5,356	5,509	5,668	5,833	6,003	6,179	6,362	6,551	6,747
Grants and contributions – capital	13,909	13,387	10,751	11,770	11,841	9,761	9,783	9,806	9,831	9,856	9,882	9,898
Interest and investment revenue	5,759	3,912	3,718	3,860	3,796	3,585	3,796	4,088	4,394	4,706	5,022	5,354
Other income	5,522	6,571	7,116	7,294	7,476	7,663	7,855	8,051	8,252	8,458	8,670	8,887
Total income from continuing operations	154,579	162,008	167,638	174,518	183,009	185,567	190,785	196,243	201,867	207,657	213,612	219,741
Expenses from continuing operations		-										
Employee benefits and on-costs	48,080	53,973	56,752	59,278	61,570	63,948	66,415	68,973	71,627	74,380	77,236	80,199
Employee benefits and on-costs – NSOP		3,265	5,081	5,403	5,724	5,924	6,132	6,346	6,569	6,798	7,036	7,283
Materials and services	52,555	53,938	56,226	57,193	64,138	65,747	67,618	69,314	71,284	73,072	75,026	77,032
Materials and services – NSOP		953	1,674	1,716	1,759	1,803	1,848	1,894	1,942	1,990	2,040	2,091
Borrowing costs	2,365	2,488	2,513	2,281	2,054	1,854	1,638	1,411	1,174	924	711	654
Depreciation and amortisation	30,411	30,176	31,009	31,785	32,579	33,394	34,229	35,084	35,961	36,860	37,782	38,726
Depreciation and amortisation – NSOP		1,342	2,369	2,416	2,477	2,539	2,602	2,667	2,734	2,802	2,872	2,944
Other expenses	5,108	4,987	5,212	5,342	5,476	5,612	5,753	5,897	6,044	6,195	6,350	6,509
Net losses from the disposal of assets	883	277	277	277	277	277	277	277	277	277	277	277
Total expenses from continuing operations	139,402	151,399	161,114	165,691	176,054	181,099	186,511	191,864	197,612	203,300	209,331	215,714
Operating result from continuing operations	15,177	10,609	6,525	8,827	6,954	4,469	4,275	4,379	4,255	4,357	4,282	4,027
Net operating result before grants and contributions provided for capital purposes	1,269	(2,778)	(4,226)	(2,943)	(4,887)	(5,293)	(5,509)	(5,427)	(5,575)	(5,499)	(5,601)	(5,872)

BALANCE SHEET												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
ASSETS												
Current Assets												
Cash and cash equivalents	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Investments	103,500	102,921	107,683	105,544	98,496	105,525	115,272	125,458	135,862	146,386	157,462	168,649
Receivables	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846
Inventories	33	33	33	33	33	33	33	33	33	33	33	33
Other	974	974	974	974	974	974	974	974	974	974	974	974
Total Current Assets	144,295	134,774	139,536	137,397	130,349	137,378	147,125	157,311	167,715	178,239	189,315	200,502
Non-current Assets												
Receivables	987	987	987	987	987	987	987	987	987	987	987	987
Investments	8,000											
Infrastructure, Property, Plant & Equipment	1,697,618	1,724,077	1,720,763	1,726,424	1,735,829	1,728,993	1,719,032	1,708,517	1,697,425	1,686,069	1,675,130	1,665,673
Investment property	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161
Right of use assets	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051
Investments accounted for using the equity method	43	43	43	43	43	43	43	43	43	43	43	43
Total Non-current Assets	1,765,860	1,784,319	1,781,005	1,786,666	1,796,071	1,789,235	1,779,274	1,768,759	1,757,667	1,746,311	1,735,372	1,725,915
TOTAL ASSETS	1,910,155	1,919,094	1,920,541	1,924,063	1,926,420	1,926,613	1,926,400	1,926,069	1,925,381	1,924,550	1,924,687	1,926,417
LIABILITIES												
Current Liabilities												
Payables	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996
Contract liabilities	4,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367
Lease liabilities	303	303	303	237	–	–	–	–	–	–	–	–
Borrowings	3,784	4,763	5,001	4,361	4,276	4,487	4,710	4,943	5,188	4,145	2,297	1,818
Employee benefit provisions	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147
Total Current Liabilities	49,597	48,576	48,814	48,108	47,786	47,997	48,220	48,453	48,698	47,655	45,807	45,328
Non-current Liabilities												
Lease liabilities	843	540	237	–	–	–	–	–	–	–	–	–
Borrowings	46,794	51,639	46,627	42,266	37,990	33,502	28,793	23,850	18,662	14,517	12,220	10,401
Employee benefit provisions	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329
Total Non-Current Liabilities	48,966	53,508	48,193	43,595	39,319	34,831	30,122	25,179	19,991	15,846	13,549	11,730
TOTAL LIABILITIES	98,563	102,084	97,007	91,703	87,105	82,829	78,341	73,632	68,689	63,501	59,356	57,059
Net Assets	1,811,592	1,817,010	1,823,534	1,832,361	1,839,315	1,843,784	1,848,058	1,852,438	1,856,693	1,861,049	1,865,331	1,869,358
EQUITY												
Accumulated Surplus	991,493	996,910	1,003,435	1,012,262	1,019,216	1,023,685	1,027,959	1,032,338	1,036,594	1,040,950	1,045,232	1,049,259
IPPE Revaluation Reserve	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099
TOTAL EQUITY	1,811,592	1,817,009	1,823,534	1,832,361	1,839,315	1,843,784	1,848,058	1,852,437	1,856,693	1,861,049	1,865,331	1,869,358

CASH FLOW STATEMENT												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Rates	61,548	64,881	67,740	70,043	72,424	74,884	77,427	80,055	82,772	85,579	88,480	91,478
Annual charges	18,247	18,584	19,142	19,716	23,162	23,737	24,326	24,930	25,549	26,183	26,833	27,499
User charges & fees	32,997	37,042	41,287	43,453	45,448	46,584	47,738	48,931	50,153	51,406	52,691	54,007
Investment & interest revenue	5,961	3,912	3,718	3,860	3,796	3,585	3,796	4,088	4,394	4,706	5,022	5,354
Grants and contributions	15,686	13,956	15,928	17,126	17,351	15,429	15,616	15,810	16,010	16,218	16,434	16,646
Bonds and deposits	2,638	3,950	3,951	3,952	3,953	3,954	3,955	3,956	3,957	3,958	3,959	3,960
Other	25,384	18,399	19,824	20,320	20,828	21,348	21,882	22,429	22,990	23,565	24,154	24,758
Payments												
Employee benefits & on-costs	(48,389)	(57,238)	(61,834)	(64,681)	(67,294)	(69,873)	(72,546)	(75,320)	(78,196)	(81,179)	(84,273)	(87,481)
Materials and services	(62,344)	(57,186)	(57,900)	(58,909)	(65,897)	(67,550)	(69,466)	(71,208)	(73,226)	(75,062)	(77,066)	(79,123)
Borrowing costs	(1,947)	(2,488)	(2,513)	(2,281)	(2,054)	(1,854)	(1,638)	(1,411)	(1,174)	(924)	(711)	(654)
Bonds & deposits refunded	(2,325)	(3,950)	(3,951)	(3,952)	(3,953)	(3,954)	(3,955)	(3,956)	(3,957)	(3,958)	(3,959)	(3,960)
Other	(9,902)	(4,719)	(5,212)	(5,342)	(5,476)	(5,612)	(5,753)	(5,897)	(6,044)	(6,195)	(6,350)	(6,509)
Net cash provided (or used in) operating activities	37,554	35,142	40,180	43,305	42,287	40,678	41,382	42,408	43,228	44,296	45,213	45,974
CASHFLOWS FROM INVESTING ACTIVITIES												
Receipts												
Sale of investment securities												
Redemption of term deposits	199,000											
Sale of infrastructure, property, plant & equipment	328	328	328	328	328	328	328	328	328	328	328	328
Payments												
Purchase of investment securities	(206,000)											
Purchase of investment properties												
Purchase of infrastructure, property, plant & equipment	(40,661)	(58,512)	(30,669)	(40,468)	(45,066)	(29,701)	(27,475)	(27,841)	(28,208)	(28,912)	(30,321)	(32,818)
Net Cash provided (or used in) Investing Activities	(47,333)	(58,184)	(30,341)	(40,140)	(44,738)	(29,373)	(27,147)	(27,513)	(27,880)	(28,584)	(29,993)	(32,490)

	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from borrowings and advances	20,000	10,000	–									
Payments												
Repayment of borrowings & advances	(2,862)	(4,176)	(4,774)	(5,001)	(4,361)	(4,276)	(4,487)	(4,710)	(4,943)	(5,188)	(4,145)	(2,297)
Repayment of lease liabilities (principal repayments)	(266)	(303)	(303)	(303)	(237)	–	–	–	–	–	–	–
Net Cash Flow provided (used in) Financing Activities	16,872	5,521	(5,077)	(5,304)	(4,598)	(4,276)	(4,487)	(4,710)	(4,943)	(5,188)	(4,145)	(2,297)
Net Increase/(Decrease) in Cash & Cash Equivalents	7,093	(17,521)	4,762	(2,139)	(7,048)	7,029	9,748	10,185	10,404	10,525	11,076	11,187
Plus: Cash & Cash Equivalents – beginning of year	24,150	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Cash & Cash Equivalents – end of the year	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Investments – end of the year	111,500	102,921	107,683	105,544	98,496	105,525	115,272	125,458	135,862	146,386	157,462	168,649
Cash, Cash Equivalents & Investments – end of the year	141,442	123,921	128,683	126,544	119,496	126,525	136,272	146,458	156,862	167,386	178,462	189,649
Externally restricted funds	102,494	87,491	92,190	89,882	81,974	88,887	98,320	108,034	118,039	128,336	138,932	149,846
Cash, Cash Equivalents & Investments excluding externally restricted funds	38,948	36,430	36,493	36,662	37,522	37,638	37,952	38,423	38,823	39,050	39,530	39,802
Internal reserves	30,760	27,017	27,017	27,017	27,017	27,017	27,017	27,017	27,017	27,017	27,017	27,017
Unrestricted cash and investments (working funds)	8,188	9,413	9,476	9,645	10,505	10,621	10,935	11,406	11,806	12,033	12,513	12,785

OPTION 2: FINANCIAL FORECASTS

INCOME STATEMENT												
Income from continuing operations	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
Rates	61,562	64,881	67,769	70,132	72,591	75,135	77,765	80,486	83,301	86,211	89,222	92,335
Rates – Special Variation			10,381	15,851	18,431	18,984	19,553	20,140	20,744	21,366	22,007	22,668
Annual charges	18,258	18,584	19,142	19,716	23,162	23,737	24,326	24,930	25,549	26,183	26,833	27,499
User charges & fees	30,734	34,683	34,585	35,448	36,333	37,241	38,162	39,115	40,092	41,094	42,120	43,172
User charges & fees – NSOP		3,640	6,703	8,005	9,115	9,343	9,576	9,816	10,061	10,313	10,571	10,835
Other revenue	13,967	11,895	12,708	13,026	13,352	13,686	14,028	14,378	14,738	15,106	15,484	15,871
Grants & contributions – operating	4,869	4,455	5,177	5,356	5,509	5,668	5,833	6,003	6,179	6,362	6,551	6,747
Grants & contributions – capital	13,909	13,387	10,751	11,770	11,841	9,761	9,783	9,806	9,831	9,856	9,882	9,898
Interest and investment revenue	5,759	3,912	3,718	3,851	3,782	3,564	3,865	4,244	4,622	5,019	5,425	5,837
Other income	5,522	6,571	7,116	7,251	6,699	6,867	7,038	7,214	7,395	7,580	7,769	7,963
Total income from continuing operations	154,579	162,008	178,048	190,406	200,816	203,984	208,930	216,134	222,512	229,090	235,864	242,826
Expenses from continuing operations												
Employee benefits and on-costs	48,080	53,973	56,839	59,383	61,697	64,098	66,588	69,170	71,849	74,628	77,511	80,500
Employee benefits and on-costs – NSOP		3,265	5,081	5,403	5,724	5,924	6,132	6,346	6,569	6,798	7,036	7,283
Materials and services	52,555	53,938	57,101	60,814	67,973	67,419	68,115	69,801	71,736	73,486	75,398	77,359
Materials and services – NSOP		953	1,674	1,716	1,759	1,803	1,848	1,894	1,942	1,990	2,040	2,091
Borrowing costs	2,365	2,488	2,513	2,281	2,054	1,854	1,638	1,411	1,174	924	711	654
Depreciation and amortisation	30,411	30,176	31,009	31,785	32,579	33,394	34,229	35,084	35,961	36,860	37,782	38,726
Depreciation and amortisation – NSOP		1,342	2,369	2,416	2,477	2,539	2,602	2,667	2,734	2,802	2,872	2,944
Other expenses	5,108	4,987	5,212	5,342	5,476	5,612	5,753	5,897	6,044	6,195	6,350	6,509
Net losses from the disposal of assets	883	277	277	277	277	277	277	277	277	277	277	277
Total expenses from continuing operations	139,402	151,399	162,076	169,417	180,017	182,921	187,181	192,548	198,286	203,961	209,977	216,343
Operating result from continuing operations	15,177	10,609	15,972	20,989	20,799	21,064	22,748	23,585	24,226	25,129	25,887	26,483
Net operating result before grants and contributions provided for capital purposes	1,269	(2,778)	5,221	9,219	8,958	11,302	12,965	13,779	14,395	15,273	16,005	16,584

STRATEGIC INITIATIVE FUNDING INCLUDED WITHIN THE INCOME STATEMENT												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
EXPENDITURE												
Employee benefits and on-costs			80	83	86	89	93	96	100	104	107	111
Materials and services			520	343	420	366	188	215	220	226	232	237
Materials and services – new corporate systems			904	3,890	4,083	2,031	1,096	1,123	1,152	1,180	1,210	1,240

BALANCE SHEET												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
ASSETS												
Current Assets												
Cash and cash equivalents	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	\$21,000	\$21,000	\$21,000	\$21,000
Investments	103,500	102,921	107,369	\$105,070	\$97,788	\$107,822	\$120,482	\$133,080	\$146,301	\$159,833	\$173,573	\$187,630
Receivables	9,846	9,846	\$9,846	\$9,846	\$9,846	\$9,846	\$9,846	\$9,846	\$9,846	\$9,846	\$9,846	\$9,846
Inventories	33	33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33
Other	974	974	\$974	\$974	\$974	\$974	\$974	\$974	\$974	\$974	\$974	\$974
Total Current Assets	144,295	134,774	\$139,222	\$136,923	\$129,641	\$139,675	\$152,335	\$164,933	\$178,154	\$191,686	\$205,426	\$219,483
Non-current Assets												
Receivables	987	987	\$987	\$987	\$987	\$987	\$987	\$987	\$987	\$987	\$987	\$987
Investments	8,000											
Infrastructure, Property, Plant & Equipment	1,697,618	1,724,077	1,730,524	\$1,748,507	\$1,771,991	\$1,778,744	\$1,784,345	\$1,790,623	\$1,796,686	\$1,803,093	\$1,811,097	\$1,821,225
Investment property	58,161	58,161	\$58,161	\$58,161	\$58,161	\$58,161	\$58,161	\$58,161	\$58,161	\$58,161	\$58,161	\$58,161
Right of use assets	1,051	1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051
Investments accounted for using the equity method	43	43	\$43	\$43	\$43	\$43	\$43	\$43	\$43	\$43	\$43	\$43
Total Non-current Assets	1,765,860	1,784,319	\$1,790,766	\$1,808,749	\$1,832,233	\$1,838,986	\$1,844,587	\$1,850,865	\$1,856,928	\$1,863,335	\$1,871,339	\$1,881,467
TOTAL ASSETS	1,910,155	1,919,094	\$1,929,988	\$1,945,673	\$1,961,874	\$1,978,662	\$1,996,923	\$2,015,798	\$2,035,081	\$2,055,022	\$2,076,764	\$2,100,950
LIABILITIES												
Current Liabilities												
Payables	27,996	27,996	\$27,996	\$27,996	\$27,996	\$27,996	\$27,996	\$27,996	\$27,996	\$27,996	\$27,996	\$27,996
Contract liabilities	4,367	2,367	\$2,367	\$2,367	\$2,367	\$2,367	\$2,367	\$2,367	\$2,367	\$2,367	\$2,367	\$2,367
Lease liabilities	303	303	\$303	\$237	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Borrowings	3,784	4,763	\$5,001	\$4,361	\$4,276	\$4,487	\$4,710	\$4,943	\$5,188	\$4,145	\$2,297	\$1,818
Employee benefit provisions	13,147	13,147	\$13,147	\$13,147	\$13,147	\$13,147	\$13,147	\$13,147	\$13,147	\$13,147	\$13,147	\$13,147
Total Current Liabilities	49,597	48,576	\$48,814	\$48,108	\$47,786	\$47,997	\$48,220	\$48,453	\$48,698	\$47,655	\$45,807	\$45,328
Non-current Liabilities												
Lease liabilities	843	540	\$237	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Borrowings	46,794	51,639	\$46,627	\$42,266	\$37,990	\$33,502	\$28,793	\$23,850	\$18,662	\$14,517	\$12,220	\$10,401
Employee benefit provisions	1,329	1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329
Total Non-Current Liabilities	48,966	53,508	\$48,193	\$43,595	\$39,319	\$34,831	\$30,122	\$25,179	\$19,991	\$15,846	\$13,549	\$11,730
TOTAL LIABILITIES	98,563	102,084	\$97,007	\$91,703	\$87,105	\$82,829	\$78,341	\$73,632	\$68,689	\$63,501	\$59,356	\$57,059
Net Assets	1,811,592	1,817,010	\$1,832,981	\$1,853,970	\$1,874,769	\$1,895,833	\$1,918,581	\$1,942,167	\$1,966,392	\$1,991,521	\$2,017,408	\$2,043,891
EQUITY												
Accumulated Surplus	991,493	996,910	\$1,012,882	\$1,033,871	\$1,054,670	\$1,075,734	\$1,098,482	\$1,122,067	\$1,146,293	\$1,171,422	\$1,197,309	\$1,223,792
IPPE Revaluation Reserve	820,099	820,099	\$820,099	\$820,099	\$820,099	\$820,099	\$820,099	\$820,099	\$820,099	\$820,099	\$820,099	\$820,099
TOTAL EQUITY	1,811,592	1,817,009	\$1,832,981	\$1,853,970	\$1,874,769	\$1,895,833	\$1,918,581	\$1,942,166	\$1,966,392	\$1,991,521	\$2,017,408	\$2,043,891

CASH FLOW STATEMENT												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Rates	61,548	64,881	78,150	85,983	91,022	94,118	97,319	100,626	104,045	107,578	111,229	115,003
Annual charges	18,247	18,584	19,142	19,716	23,162	23,737	24,326	24,930	25,549	26,183	26,833	27,499
User charges & fees	32,997	37,042	41,287	43,453	45,448	46,584	47,738	48,931	50,153	51,406	52,691	54,007
Investment & interest revenue	5,961	3,912	3,718	3,851	3,782	3,564	3,865	4,244	4,622	5,019	5,425	5,837
Grants and contributions	15,686	13,956	15,928	17,126	17,351	15,429	15,616	15,810	16,010	16,218	16,434	16,646
Bonds and deposits	2,638	3,950	3,951	3,952	3,953	3,954	3,955	3,956	3,957	3,958	3,959	3,960
Other	25,384	18,399	19,824	20,277	20,051	20,552	21,066	21,593	22,133	22,686	23,253	23,834
Payments												
Employee benefits & on-costs	(48,389)	(57,238)	(61,921)	(64,786)	(67,421)	(70,022)	(72,720)	(75,517)	(78,418)	(81,427)	(84,547)	(87,783)
Materials and services	(62,344)	(57,186)	(58,775)	(62,530)	(69,732)	(69,222)	(69,963)	(71,695)	(73,678)	(75,476)	(77,438)	(79,450)
Borrowing costs	(1,947)	(2,488)	(2,513)	(2,281)	(2,054)	(1,854)	(1,638)	(1,411)	(1,174)	(924)	(711)	(654)
Bonds & deposits refunded	(2,325)	(3,950)	(3,951)	(3,952)	(3,953)	(3,954)	(3,955)	(3,956)	(3,957)	(3,958)	(3,959)	(3,960)
Other	(9,902)	(4,719)	(5,212)	(5,342)	(5,476)	(5,612)	(5,753)	(5,897)	(6,044)	(6,195)	(6,350)	(6,509)
Net cash provided (or used in) operating activities	37,554	35,142	49,627	55,467	56,132	57,273	59,856	61,614	63,198	65,068	66,819	68,430
CASHFLOWS FROM INVESTING ACTIVITIES												
Receipts												
Sale of investment securities												
Redemption of term deposits	199,000											
Sale of infrastructure, property, plant & equipment	328	328	328	328	328	328	328	328	328	328	328	328
Payments												
Purchase of investment securities	(206,000)											
Purchase of investment properties												
Purchase of infrastructure, property, plant & equipment	(40,661)	(58,512)	(40,430)	(52,790)	(59,145)	(43,291)	(43,036)	(44,635)	(45,363)	(46,675)	(49,263)	(52,404)
Net Cash provided (or used in) Investing Activities	(47,333)	(58,184)	(40,102)	(52,462)	(58,817)	(42,963)	(42,708)	(44,307)	(45,035)	(46,347)	(48,935)	(52,076)

	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from borrowings and advances	20,000	10,000	–									
Payments												
Repayment of borrowings & advances	(2,862)	(4,176)	(4,774)	(5,001)	(4,361)	(4,276)	(4,487)	(4,710)	(4,943)	(5,188)	(4,145)	(2,297)
Repayment of lease liabilities (principal repayments)	(266)	(303)	(303)	(303)	(237)	–	–	–	–	–	–	–
Net Cash Flow provided (used in) Financing Activities	16,872	5,521	(5,077)	(5,304)	(4,598)	(4,276)	(4,487)	(4,710)	(4,943)	(5,188)	(4,145)	(2,297)
Net Increase/(Decrease) in Cash & Cash Equivalents	7,093	(17,521)	4,448	(2,299)	(7,282)	10,035	12,660	12,598	13,220	13,533	13,739	14,057
Plus: Cash & Cash Equivalents – beginning of year	24,150	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Cash & Cash Equivalents – end of the year	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Investments – end of the year	111,500	102,921	107,369	105,070	97,788	107,822	120,483	133,080	146,300	159,834	173,573	187,630
Cash, Cash Equivalents & Investments – end of the year	141,442	123,921	128,369	126,070	118,788	128,822	141,483	154,080	167,300	180,834	194,573	208,630
Externally restricted funds	102,494	87,491	91,782	89,188	81,209	87,963	97,268	106,519	116,361	126,523	136,973	147,781
Cash, Cash Equivalents & Investments excluding externally restricted funds	38,948	36,430	36,587	36,882	37,578	40,860	44,215	47,562	50,940	54,311	57,599	60,848
Internal reserves	30,760	27,017	27,017	27,017	27,017	30,017	33,017	36,017	39,017	42,017	45,017	48,017
Unrestricted cash and investments (working funds)	8,188	9,413	9,570	9,865	10,561	10,843	11,198	11,545	11,923	12,294	12,582	12,831

OPTION 3 FINANCIAL FORECASTS

INCOME STATEMENT												
Income from continuing operations	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
Rates	61,562	64,881	67,767	70,135	72,604	75,159	77,801	80,534	83,360	86,284	89,309	92,437
Rates – Special Variation			12,327	21,939	27,463	28,287	29,136	30,010	30,910	31,837	32,793	33,776
Annual charges	18,258	18,584	19,142	19,716	23,162	23,737	24,326	24,930	25,549	26,183	26,833	27,499
User charges & fees	30,734	34,683	34,585	35,448	36,333	37,241	38,162	39,115	40,092	41,094	42,120	43,172
User charges & fees – NSOP		3,640	6,703	8,005	9,115	9,343	9,576	9,816	10,061	10,313	10,571	10,835
Other revenue	13,967	11,895	12,708	13,026	13,352	13,686	14,028	14,378	14,738	15,106	15,484	15,871
Grants & contributions – operating	4,869	4,455	5,177	5,356	5,509	5,668	5,833	6,003	6,179	6,362	6,551	6,747
Grants & contributions – capital	13,909	13,387	12,651	13,717	13,838	12,346	11,881	11,956	12,034	12,114	12,197	12,271
Interest and investment revenue	5,759	3,912	3,718	3,839	3,748	3,501	3,873	4,303	4,762	5,297	5,874	6,445
Other income	5,522	6,571	7,116	7,294	7,476	7,663	7,855	8,051	8,252	8,458	8,670	8,887
Total income from continuing operations	154,579	162,008	181,894	198,475	212,601	216,629	222,469	229,096	235,938	243,049	250,402	257,941
Expenses from continuing operations												
Employee benefits and on-costs	48,080	53,973	56,839	59,789	62,120	64,537	67,044	69,644	72,339	75,135	78,034	81,041
Employee benefits and on-costs – NSOP		3,265	5,081	5,403	5,724	5,924	6,132	6,346	6,569	6,798	7,036	7,283
Materials and services	52,555	53,938	57,825	61,863	69,746	68,390	68,919	70,334	72,321	74,076	76,043	78,010
Materials and services – NSOP		953	1,674	1,716	1,759	1,803	1,848	1,894	1,942	1,990	2,040	2,091
Borrowing costs	2,365	2,488	2,513	2,281	2,054	1,854	1,638	1,411	1,174	924	711	654
Depreciation and amortisation	30,411	30,176	31,009	31,785	32,579	33,394	34,229	35,084	35,961	36,860	37,782	38,726
Depreciation and amortisation – NSOP		1,342	2,369	2,416	2,477	2,539	2,602	2,667	2,734	2,802	2,872	2,944
Other expenses	5,108	4,987	5,212	5,342	5,476	5,612	5,753	5,897	6,044	6,195	6,350	6,509
Net losses from the disposal of assets	883	277	277	277	277	277	277	277	277	277	277	277
Total expenses from continuing operations	139,402	151,399	162,800	170,872	182,212	184,331	188,441	193,555	199,361	205,059	211,145	217,534
Operating result from continuing operations	15,177	10,609	19,094	27,603	30,389	32,298	34,028	35,541	36,577	37,990	39,256	40,406
Net operating result before grants and contributions provided for capital purposes	1,269	(2,778)	6,443	13,886	16,551	19,953	22,147	23,585	24,543	25,876	27,059	28,135

STRATEGIC INITIATIVE FUNDING INCLUDED WITHIN THE INCOME STATEMENT												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
EXPENDITURE												
Employee benefits and on-costs			80	488	505	523	540	542	576	593	611	629
Materials and services			1,754	1,491	2,280	1,411	1,052	795	838	836	881	878
Materials and services – new corporate systems			904	3,890	4,083	2,031	1,096	1,123	1,152	1,180	1,210	1,240

BALANCE SHEET												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
ASSETS												
Current Assets												
Cash and cash equivalents	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Investments	103,500	102,921	106,952	103,946	95,684	108,098	122,443	137,739	155,560	174,815	193,838	214,290
Receivables	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846	9,846
Inventories	33	33	33	33	33	33	33	33	33	33	33	33
Other	974	974	974	974	974	974	974	974	974	974	\$974	\$974
Total Current Assets	144,295	134,774	\$138,805	\$135,799	\$127,537	\$139,951	\$154,296	\$169,592	\$187,413	\$206,668	\$225,691	\$246,143
Non-current Assets												
Receivables	987	987	987	987	987	987	987	987	987	987	987	987
Investments	8,000											
Infrastructure, Property, Plant & Equipment	1,697,618	1,724,077	1,734,063	1,759,367	1,793,420	1,809,029	1,824,225	1,839,760	1,853,572	1,867,120	1,883,209	1,900,866
Investment property	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161	58,161
Right of use assets	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051
Investments accounted for using the equity method	43	43	43	43	43	43	43	43	43	43	43	43
Total Non-current Assets	1,765,860	1,784,319	1,794,305	1,819,609	1,853,662	1,869,271	1,884,467	1,900,002	1,913,814	1,927,362	1,943,451	1,961,108
TOTAL ASSETS	1,910,155	1,919,094	1,933,110	1,955,409	1,981,199	2,009,222	2,038,762	2,069,593	2,101,228	2,134,030	2,169,142	2,207,251
LIABILITIES												
Current Liabilities												
Payables	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996	27,996
Contract liabilities	4,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367	2,367
Lease liabilities	303	303	303	237	0	0	0	0	0	0	0	0
Borrowings	3,784	4,763	5,001	4,361	4,276	4,487	4,710	4,943	5,188	4,145	2,297	1,818
Employee benefit provisions	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147
Total Current Liabilities	49,597	48,576	48,814	48,108	47,786	47,997	48,220	48,453	48,698	47,655	45,807	45,328
Non-current Liabilities												
Lease liabilities	843	540	237	0	0	0	0	0	0	0	0	0
Borrowings	46,794	51,639	46,627	42,266	37,990	33,502	28,793	23,850	18,662	14,517	12,220	10,401
Employee benefit provisions	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329	1,329
Total Non-Current Liabilities	48,966	53,508	48,193	43,595	39,319	34,831	30,122	25,179	19,991	15,846	13,549	11,730
TOTAL LIABILITIES	98,563	102,084	97,007	91,703	87,105	82,829	78,341	73,632	68,689	63,501	59,356	57,059
Net Assets	1,811,592	1,817,010	1,836,103	1,863,706	1,894,095	1,926,393	1,960,421	1,995,962	2,032,539	2,070,529	2,109,786	2,150,192
EQUITY												
Accumulated Surplus	991,493	996,910	1,016,004	1,043,607	1,073,996	1,106,294	1,140,322	1,175,863	1,212,440	1,250,430	1,289,686	1,330,093
IPPE Revaluation Reserve	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099	820,099
TOTAL EQUITY	1,811,592	1,817,009	1,836,103	1,863,706	1,894,095	1,926,393	1,960,421	1,995,962	2,032,539	2,070,529	2,109,785	2,150,192

CASH FLOW STATEMENT												
	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Rates	61,548	64,881	80,095	92,074	100,068	103,446	106,936	110,543	114,270	118,122	122,101	126,213
Annual charges	18,247	18,584	19,142	19,716	23,162	23,737	24,326	24,930	25,549	26,183	26,833	27,499
User charges & fees	32,997	37,042	41,287	43,453	45,448	46,584	47,738	48,931	50,153	51,406	52,691	54,007
Investment & interest revenue	5,961	3,912	3,718	3,839	3,748	3,501	3,873	4,303	4,762	5,297	5,874	6,445
Grants and contributions	15,686	13,956	17,828	19,073	19,347	18,014	17,713	17,959	18,214	18,477	18,749	19,019
Bonds and deposits	2,638	3,950	3,951	3,952	3,953	3,954	3,955	3,956	3,957	3,958	3,959	3,960
Other	25,384	18,399	19,824	20,320	20,828	21,348	21,882	22,429	22,990	23,565	24,154	24,758
Payments												
Employee benefits & on-costs	(48,389)	(57,238)	(61,920)	(65,191)	(67,844)	(70,462)	(73,176)	(75,990)	(78,908)	(81,933)	(85,070)	(88,323)
Materials and services	(62,344)	(57,186)	(59,499)	(63,579)	(71,505)	(70,193)	(70,767)	(72,229)	(74,263)	(76,066)	(78,083)	(80,101)
Borrowing costs	(1,947)	(2,488)	(2,513)	(2,281)	(2,054)	(1,854)	(1,638)	(1,411)	(1,174)	(924)	(711)	(654)
Bonds & deposits refunded	(2,325)	(3,950)	(3,951)	(3,952)	(3,953)	(3,954)	(3,955)	(3,956)	(3,957)	(3,958)	(3,959)	(3,960)
Other	(9,902)	(4,719)	(5,212)	(5,342)	(5,476)	(5,612)	(5,753)	(5,897)	(6,044)	(6,195)	(6,350)	(6,509)
Net cash provided (or used in) operating activities	37,554	35,142	52,749	62,081	65,722	68,508	71,135	73,570	75,549	77,930	80,188	82,354
CASHFLOWS FROM INVESTING ACTIVITIES												
Receipts												
Sale of investment securities												
Redemption of term deposits	199,000											
Sale of infrastructure, property, plant & equipment	328	328	328	328	328	328	328	328	328	328	328	328
Payments												
Purchase of investment securities	(206,000)											
Purchase of investment properties												
Purchase of infrastructure, property, plant & equipment	(40,661)	(58,512)	(43,969)	(60,111)	(69,714)	(52,146)	(52,632)	(53,892)	(53,113)	(53,816)	(57,348)	(59,933)
Net Cash provided (or used in) Investing Activities	(47,333)	(58,184)	(43,641)	(59,783)	(69,386)	(51,818)	(52,304)	(53,564)	(52,785)	(53,488)	(57,020)	(59,605)

	2024-25 Actual (\$,000)	2025-26 Budget (\$,000)	2026-27 (\$,000)	2027-28 (\$,000)	2028-29 (\$,000)	2029-30 (\$,000)	2030-31 (\$,000)	2031-32 (\$,000)	2032-33 (\$,000)	2033-34 (\$,000)	2034-35 (\$,000)	2035-36 (\$,000)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from borrowings and advances	20,000	10,000	–									
Payments												
Repayment of borrowings & advances	(2,862)	(4,176)	(4,774)	(5,001)	(4,361)	(4,276)	(4,487)	(4,710)	(4,943)	(5,188)	(4,145)	(2,297)
Repayment of lease liabilities (principal repayments)	(266)	(303)	(303)	(303)	(237)	–	–	–	–	–	–	–
Net Cash Flow provided (used in) Financing Activities	16,872	5,521	(5,077)	(5,304)	(4,598)	(4,276)	(4,487)	(4,710)	(4,943)	(5,188)	(4,145)	(2,297)
Net Increase/(Decrease) in Cash & Cash Equivalents	7,093	(17,521)	4,031	(3,006)	(8,262)	12,414	14,344	15,296	17,822	19,254	19,023	20,452
Plus: Cash & Cash Equivalents – beginning of year	24,150	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Cash & Cash Equivalents – end of the year	29,942	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Investments – end of the year	111,500	102,921	106,952	103,946	95,684	108,098	122,443	137,739	155,560	174,815	193,838	214,290
Cash, Cash Equivalents & Investments – end of the year	141,442	123,921	127,952	124,946	116,684	129,098	143,443	158,739	176,560	195,815	214,838	235,290
Externally restricted funds	102,494	87,491	91,364	88,064	79,106	85,239	94,155	102,610	111,755	121,455	130,495	140,403
Cash, Cash Equivalents & Investments excluding externally restricted funds	38,948	36,430	36,588	36,882	37,578	43,860	49,288	56,128	64,805	74,360	84,343	94,887
Internal reserves	30,760	27,017	27,017	27,017	27,017	33,017	38,091	44,584	52,882	62,067	71,760	82,055
Unrestricted cash and investments (working funds)	8,188	9,413	9,571	9,865	10,561	10,843	11,197	11,545	11,923	12,293	12,583	12,832

FINANCIAL ASSUMPTIONS

Cash and investments

This Long-Term Financial Plan (LTFP) assumes that unrestricted cash and investments equivalent to 1 month expenditure (excluding restricted expenditure) is held for working cash flow.

In addition, internal and external restrictions have been placed on cash and investments in accordance with the Draft Restricted Reserves Policy to be exhibited alongside this LTFP.

Receivables

North Sydney Council has consistently maintained low levels of outstanding rates and annual charges compared to industry benchmarks. These low levels contribute positively to Council's liquidity position, and it is assumed that this trend will continue throughout the planning period.

Infrastructure, property, plant and equipment

Council is the custodian of infrastructure, property, plant and equipment valued at \$2.21 billion. The financial management of these assets is guided by Council's Asset Management Plans, which make assessments in relation to asset valuations, condition and renewal timeframes.

Provisions

Council has made provisions for the payment of employee leave entitlements, primarily annual leave and long service leave. The balance of these provisions is influenced by Council's Annual and Long Service Leave Management Policy, retirements, and staff leave plans. When determining the value of these provisions, factors such as wage and salary increases, cash rate forecasts, and discounting rates are carefully considered.

Borrowings

As of 30 June 2026, Council's projected external borrowings total \$56.4 million. This includes a \$10 million borrowing projected to be drawn down in 2025-26 financial year. This plan assumes repayment of these borrowings in accordance with the agreed terms. The plan also assumes no further borrowings will be taken on during this ten-year period.

As at 30 June 2026, Council is forecast to have \$56.4m in loans outstanding, as follows:

Loan Purpose	Lender	Original loan value	Balance as at 30 June 2026	Annual repayment including interest 2026-27
North Sydney Olympic Pool	TCorp	\$31 million	\$26.690 million	\$2.31 million
North Sydney Olympic Pool	TCorp	\$20 million	\$17.623 million	\$2.56 million
Alexander Street carpark and on-street car parking management system	CBA	\$9.5 million	\$2.480 million	\$1.15 million
New Loan projected for last quarter of financial year 2024-25	TCorp	\$10 million	\$9.608 million	\$1.27 million
Total		\$70.5 million	\$56.401 million	\$7.29 million

Any borrowing would adhere to the guidelines set forth in the Borrowing Order under section 624 of the Local Government Act 1993, with security for these loans being secured against Council's rating income, as required under section 229 of the Local Government (General) Regulation.

Revenue and Expenses

When preparing the budget, Council carefully considers a range of economic factors that influence its financial position. Financial planning assumptions are critical to effectively managing finances and allocating resources to meet the needs of the community. Councils must make informed assumptions regarding factors such as population growth, revenue sources, inflation, and broader economic trends in order to develop a sound financial plan.

These assumptions guide Council in key areas, including resource allocation, long-term financial sustainability, infrastructure planning, revenue forecasting, debt management, risk management, and performance monitoring.

Based on a range of information sources, the following assumptions have been made in the development of the Long-Term Financial Plan (LTFP) and its balanced budget

- Population Growth: Expected growth trends that will influence demand for services, infrastructure, and resources.
- Revenue Sources: Projections for rates, grants, and other revenue streams based on economic conditions and Council's revenue-generating capacity
- Inflation: Assumptions regarding inflation rates and their impact on costs, particularly in relation to wages, materials, and capital projects.
- Economic Trends: Broader national and regional economic conditions that may affect Council's financial performance and planning.

These assumptions will assist Council in achieving long-term financial sustainability while effectively managing the needs of the community and ensuring a balanced budget.

The plan includes provision for the introduction of Food Organics collection by 2030, however overall cost of implementation and delivery are highly sensitive to market at the time of implementation. Domestic waste collection is funded through domestic waste charges and not general rates. Income and expenditure have therefore been adjusted to ensure a net surplus from domestic waste income of zero, with any increase in costs above projections to be balanced through the domestic waste charge or domestic waste reserves.

Inflation

The annual CPI figure reached its highest in more than three decades since 1990 at 7% as of March 2023, and throughout 2023 and 2024 Council experienced associated cost pressures that were not previously anticipated in long term planning. This demonstrates the sensitivity of long-term forecasting assumptions.

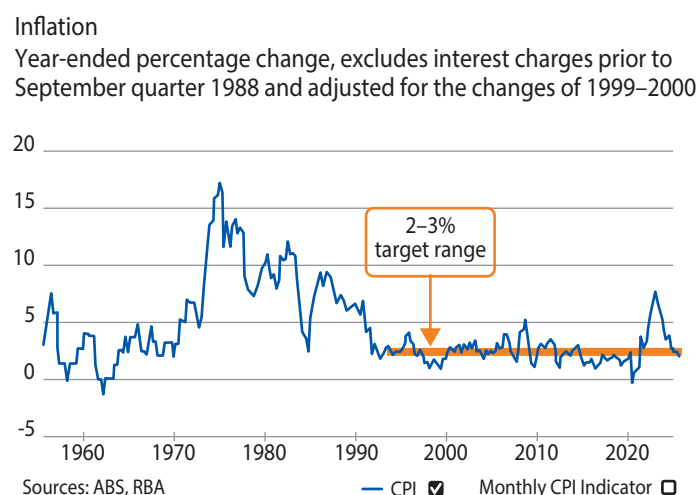


Chart 20: Inflation – Year-ended percentage change

The Reserve Bank of Australia has a flexible inflation target, which aims to keep consumer price inflation between 2 and 3 per cent. For the purposes of this Long-Term Financial Plan, CPI is estimated at 2.5% across the ten-year period.

The forecast CPI has been applied to all non-rate income and all expenditure apart from employee benefits and on-costs. This means if the variance between CPI and rate peg narrows, Council's position will decline.

Employee costs

Employee costs are forecast based upon known Local Government Award (LG Award) increases and Reserve Bank of Australia's WPI forecast. The LG Award increase effective 1 July 2026 is 3%. This is the final year of the current version of the Award, with a new negotiation to determine the increase from 2027-28 onwards. For the purposes of this long-term financial plan, a 3% increase has been forecast and is subject to sensitivity. The public sector WPI was 3.7% in the June quarter 2025, however it is expected to soften throughout the 2025-26 financial year.

In addition to LG Award increases, council's salary system provides an opportunity for employees to move through a number of salary steps based upon skills acquisition and performance.

Income assumptions

	Year 1: 2026-27	Year 2: 2027-28	Year 3: 2028-29	Years 4-10
Rates and annual charges				
Rate pegging forecast	4.0%	3.0%	3.0%	3.0%
Supplementary rating accounts	0.4%	0.4%	0.4%	0.4%
Total rates changes	3.4%	3.4%	3.4%	3.4%
Domestic waste charge (DWC)	3.0%	3.0%	Increased to achieve zero surplus from DWC)	Increased to achieve zero surplus from DWC)
Stormwater management charge (rate growth only)	0.4%	0.4%	0.4%	0.4%
Non rate income				
Fees and charges	2.5%	2.5%	2.5%	2.5%
Interest income	3.0%	3.0%	3.0%	3.0%
Rental income	2.5%	2.5%	2.5%	2.5%
Other revenue/income	2.5%	2.5%	2.5%	2.5%
Grants and contributions – Operational				
Roads and transport grants	2.5%	2.5%	2.5%	2.5%
Other grants	2.5%	2.5%	2.5%	2.5%
Grants and contributions – Capital				
Developer contributions	Various – Tied to capital expenditure and/or reserve movements each year			
Capital grants	Various – Tied to capital expenditure each year			

Expense assumptions

	Year 1: 2026-27	Year 2: 2027-28	Year 3: 2028-29	Years 4-10
Employee benefits and on-costs				
Award increases	3.0%	3.0%	3.0%	3.0%
Salary system progression	0.75%	0.75%	0.75%	0.75%
Superannuation	12%	12%	12%	12%
Population growth increase (for every \$ of supp rates income)	0.25%	0.25%	0.25%	0.25%
Materials and contracts				
General operating	2.5%	2.5%	2.5%	2.5%
Domestic waste	2.5%	2.5%	Increased to accommodate FOGO implementation.	
Population growth increase (for every \$ of supp rates income)	0.25%	0.25%	0.25%	0.25%
Borrowing Costs				
As per loan schedules				
Depreciation				
General	2.5%	2.5%	2.5%	2.5%
Other expenses				
General	2.5%	2.5%	2.5%	2.5%

SENSITIVITY ANALYSIS

The assumptions contained within this plan are current informed estimates based on a range of sources; however, long term financial plans are inherently uncertain. They contain a wide range of assumptions about interest rates and the potential effect of inflation on revenues and expenditures which are largely outside our control.

In developing the LTFP, it is important to acknowledge risks that could have an effect on the Council's financial viability, cash flow, or negatively impact revenue, which would have an impact on service delivery. Through sensitivity analysis, consideration can be given to the financial risks of potential changes in key assumptions and inputs used to develop the plan, along with strategies to mitigate these risks where possible.

This allows councils to make informed decisions based on a range of potential outcomes, rather than relying on a single set of assumptions. Council's financial position and forecasts are subject to the following risks.

Car parking revenue

Risk: That car parking revenue continues to decline.

Car-parking income reduced by \$2 million in 2024-25. This LTFP forecasts that \$1.3 million of this reduction will continue into the future.

The following factors have and may continue to reduce this income source:

- Changes to societal behaviours following the pandemic, with increased prevalence of work-from-home arrangements reducing car ownership;
- TfNSW major road projects have reduced the availability of on-street car parks which have previously been subject to car parking user charges;
- The opening of the new Sydney Metro has reduced travel time for public transport to North Sydney, thereby reducing car travel to the area;
- New technology through car parking payment options allows users to better manage their car parking, resulting in reduced income associated with previously used block pricing.
- More holistically, Council's Integrated Transport Strategy encourages active transport and reduced car ownership, and includes actions to achieve this. While improving the public amenity, reducing congestion, and providing health benefits, this strategy will over time further reduce on-street parking revenue.

North Sydney Olympic Pool Operations

Risk: That target operational results are not achieved.

Business modelling has been undertaken to plan for the opening and operation of the North Sydney Olympic Pool.

The target scenario included within Council's long term financial plan is based upon attendance of 500,000 persons in Year 1, expanding to 520,000 by Year 3. This scenario also assumes 1,700 registered learn to swim participants and 1,200 gym users within Year 1 expanding to 2,250 learn to swim participant and 1,900 gym users by Year 3.

In addition to the business modelling undertaken, to reduce the financial impact of the facility on Council's overall financial position, Council will explore commercial opportunities that may result in temporary interruptions to pool users, such as hiring the facility on particular occasions throughout the year. Additional income of \$300,000 has been forecast for the first year, increasing to \$500,000 in the second year and indexed thereafter.

As these opportunities are uncertain, they are subject to a high degree of sensitivity.

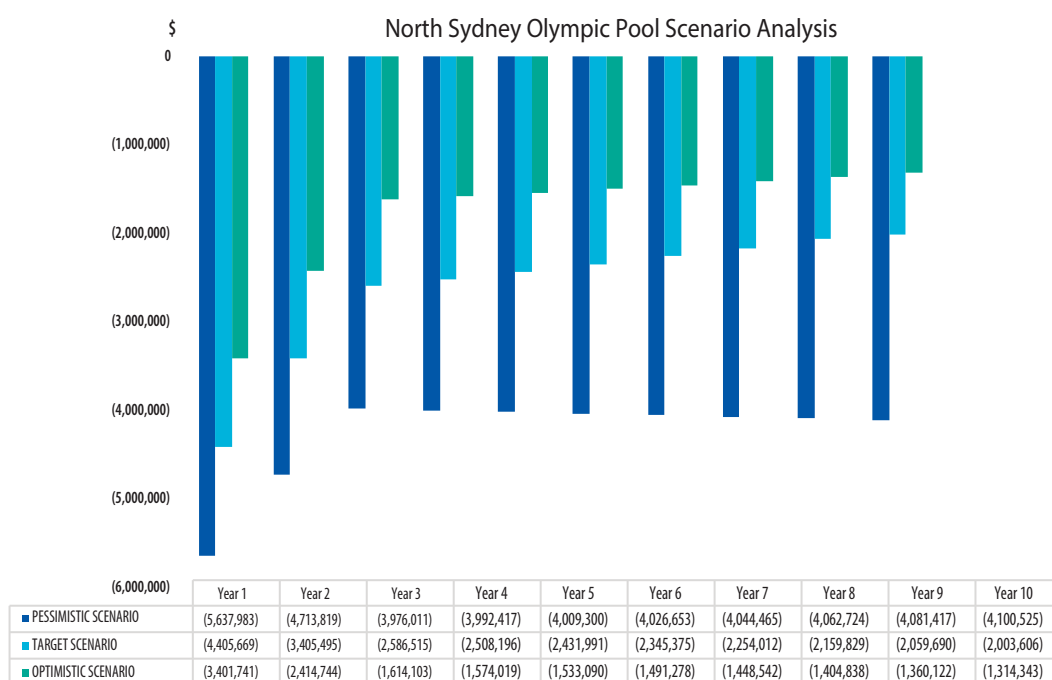


Chart 21: North Sydney Olympic Pool scenario analysis

Development – housing increases

Risk: That annual dwelling increases fall below 300.

The NSW Housing Reforms are aimed at increasing housing within Greater Sydney. Targets provided to Council require an additional 5,900 in new homes over the next 5 years. As the population grows, demand on Council services also increases, and it is therefore important that new revenue is able to be generated. While this equates to 1,200 new dwellings per annum, the Long-Term Financial Plan has been modelled conservatively based upon an increase in housing of 300 per year, with special variation scenarios including an increase in minimum rates.

Ensuring a revenue policy that generates additional income sufficient to meet the service and infrastructure needs of a growing population is important to future sustainability and responsiveness. There are two factors that influence increases in rate income outside the rate peg. This includes the net increase in dwellings and the value of the minimum rate.

However, should Council decide not to increase the value of minimum rates, this would have a impact on projected revenue within this plan.

Capital works costs

Risk: That costs of construction increase above the assumptions within this plan.

Council's financial strategy aims to reduce current infrastructure backlogs, undertake renewals in a timely manner and provide new infrastructure for a growing population. There are a number of factors that may impact the capital works estimates included within the Long-Term Financial Plan.

Forecasts provided for capital renewals and new assets are based on high level estimates and will require detailed design and scoping prior to construction. This may result in either additional costs or savings. All project costing will be reported to Council as they are developed. Should additional funds be required, Council may have to re-prioritise projects and this may impact the desired reduction in backlog renewals.

The Long-Term Financial Plan includes indexing based upon 2.5%. Should the indexes fluctuate due to market or economic conditions, this will impact the volume of renewals Council is able to complete.

Increases in building indexes over and above the assumptions in this Long-Term Financial Plan will also affect Council's operating surplus, as infrastructure is revalued and depreciation increases. Typically, financial provision is made for asset renewals based upon depreciation, however as depreciation is backward facing, it is often not sufficient to cover the cost of future renewals.

Upgrade components in infrastructure renewals

Risk: Infrastructure backlogs do not reduce at levels anticipated

Infrastructure backlogs are calculated based upon like for like replacement of component costs. For some asset classes, it is common for upgrades to be undertaken when renewing infrastructure to meet modern standards. This may result in renewal expenditure being higher than the recorded infrastructure backlog, thereby reducing the relative contribution to infrastructure backlog. With low levels of funding provided in special variation options for new infrastructure, this risk is heightened.

With improved asset management systems, the impact of these upgrades will be able to be better monitored for future financial planning.

Skills shortages

Risk: That employee costs increase above Award due to market skills shortages

Local Government is currently experiencing skills shortages in increasingly more professions and trades. Changes to societal values have further challenged recruitment efforts, with a general reluctance of employees to travel the distances to work that they once would have. The high cost of living in North Sydney means the majority of Council's workforce is located in other parts of Sydney.

While part of the local government industry, councils compete with other levels of government, the private sector and not-for-profits when it comes to recruiting. State Government wages are generally high, the private sector is competitive and also offers bonus/commission-based incentives that Local Government cannot.

To attract high quality employees, market allowances over and above Award conditions are increasingly required. Council's long term financial plan does not include provision for additional market allowances. Should these allowances be required to fill positions, this would have an impact on Council's operating result.

Based upon Council's current financial position, coupled with poor systems and processes, increases to employee costs is a critical risk. Based upon the three scenarios in this plan, the risk would reduce to low, as costs may be offset by efficiencies created through system improvement. In addition, improving systems within Council will assist in retaining quality employees.

Award increases

Risk: That the new Award, to be implemented 1 July 2026 includes increases above the assumptions allowed for within the assumptions of this plan.

The current Local Government (State) Award expires 30 June 2025.

Based upon Council's current financial position, increased Award increases above the assumptions made in this plan will be critical. Based upon the three scenarios in this plan, the risk would reduce to low, as costs may be offset by efficiencies created through system improvement.

Build to Rent

Risk: Build to Rent applications approved without changes to rating legislation that allow charging rates based upon dwelling numbers.

Introduced by the NSW Government in 2021, Build-to-rent housing is large-scale, purpose-built rental housing that is held in single ownership and professionally managed.

To date three applications for 'Build to Rent' have been lodged, with one of these approved recently consisting of 390 apartments.

By nature of the development being held in one ownership, the property would be rated as one assessment based upon the unimproved land value, rather than each apartment contributing a minimum rate towards Council's rating revenue.

Without changes to legislation allowing for rates to be charged per dwelling for 'Build to Rent', there is a risk that rating revenue from these sites will significantly reduce.

Reduction of Financial Assistance Grants

Risk: That the model for distribution of financial assistance grants reduces Councils grant to nil.

Council currently receives \$2.55m in Financial Assistance Grants from the Federal Government. While there is no suggestion that this funding source will change, there has been ongoing advocacy through the industry towards a change in distribution which would favour smaller regional councils with less ability to generate won sourced income.

Should this risk eventuate, Council would have to reduce its expenditure on services or asset backlogs accordingly.

The primary purpose of the special variations proposed is to maintain service delivery and manage infrastructure obligations. This includes investment in new corporate systems. This section provides further details in related to the purpose and need for this investment.

Infrastructure Renewals and Backlog

Infrastructure provision and management are fundamental responsibilities of local government. Infrastructure, by its very nature, forms the foundation for essential service delivery, including transport networks, footpaths, open spaces and recreation assets, community halls, libraries, stormwater systems, and seawalls. Effective infrastructure management is crucial to the local government's role, and it must be adequately funded to prevent passing an excessive financial burden onto future generations.

Proper maintenance and timely renewal of infrastructure are essential to maintaining service levels and ensuring public safety. When infrastructure is not maintained or renewed in a timely manner, service quality deteriorates, and public safety risks may emerge.

As indicated in Part 3 of this LTFP, without service reductions, Council does not have sufficient funding for its annual infrastructure renewal requirements. The table below demonstrates the renewal deficits since 2020-21. This deficit totals \$43.05 million for the six-year period.

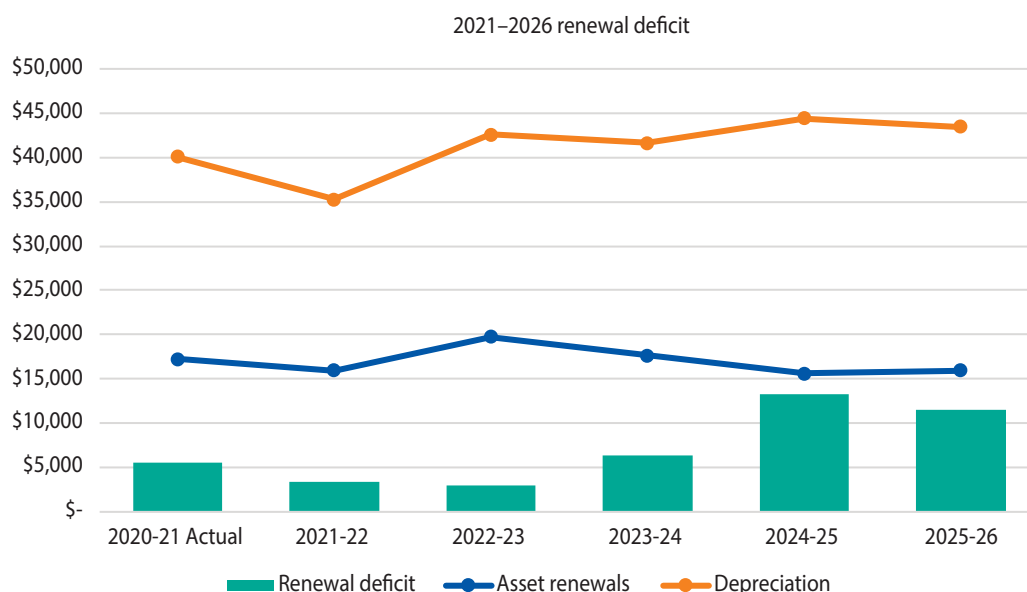


Chart 22: 2021–2026 renewal deficit

Under-investment in asset renewal, which has compounded over time and further exacerbated funding challenges including the build up of infrastructure backlog. Addressing this backlog will require targeted, sustained investment to bring infrastructure management up to a level that meets both current and future community expectations.

Council's financial statements as at 30 June 2025, provide the following assessment of infrastructure managed by Council. This assessment is aligned with the accumulated consumption of assets, represented by accumulated depreciation, which totals \$492 million.

A 'satisfactory' level of service refers to infrastructure that continues to function but requires maintenance to sustain its operational capacity. If maintenance is insufficient, infrastructure in this category will deteriorate further, leading to service disruptions and potential public safety risks.

Asset Class	Gross Replacement Cost \$,000	Net carrying amount \$,000	Accumulated depreciation \$,000	Total cost to bring to 'Satisfactory' standard \$,000
Buildings	\$347,616	\$197,457	\$150,159	\$69,398
Other structures	\$1,147	\$958	\$189	\$Nil
Roads	\$413,217	\$314,541	\$98,676	\$12,241
Footpaths	\$155,620	\$108,866	\$46,754	\$7,593
Stormwater drainage	\$247,247	\$170,668	\$76,579	\$55,893
Open space and recreational assets	\$41,031	\$25,346	\$15,685	\$912
Other infrastructure assets	\$310,958	\$207,149	\$103,809	\$11,001
Total	\$1,516,836	\$1,024,985	\$491,851	\$157,038

The two areas of most concern are **buildings and stormwater**. The issue has become more pronounced in recent years due to reduced renewal funding. Community centres, council administration and operational buildings, bus shelters, community centres and sporting facilities are experiencing failing structures or building components.

A review of funding since 2020 shows the total investment in new and renewal works for buildings has reached an annual average of only 24% of the forecast depreciation for 2025 – highlighting a significant shortfall. While the stormwater network is less visible, recent advancements in technology, including CCTV inspections and the recent 2025 asset revaluation, have provided greater insight into its condition. The data indicates that without adequate investment and a proactive maintenance and renewal strategy, the network is likely to experience increasing failures in the years ahead.

Options within this plan make the following contribution to infrastructure renewal and backlog responsibilities:

Option 1 – This option does not provide sufficient funding to address annual infrastructure renewals or contribute to infrastructure backlogs. Proceeding with this option will result in the further deterioration of infrastructure. This is likely to lead to increased public safety risks and the permanent or temporary closure of infrastructure, resulting in disruption of service delivery. Management of infrastructure will continue to be reactive and maintenance costs are expected to increase.

Option 2 – This option will provide annual funding for infrastructure renewals at an amount equivalent to depreciation. In addition \$16 million will be provided in the first five years to address critical backlogs, with a further \$35.7 million in Years 6-10.

Option 3 – will provide annual funding for infrastructure renewals at an amount equivalent to depreciation. In addition \$31 million will be provided in the first five years to address critical backlogs, with a further \$55.9 million in Years 6-10.

Renewal projects deferred in recent years due to funding reductions including Cremorne Plaza and Langley Place renewals, bus shelter replacement, Illbery playground will be prioritised.

Infrastructure backlogs include but are not limited to replacement of stormwater drainage pits and pipes, synthetic turf at Cammeray Park, renewal works at North Sydney Oval, North Sydney Indoor Sports Centre, Kirribilli Neighbourhood Centre, Stanton Library, Council Chambers, public amenities, sea walls and bus shelters.

Funding will be allocated annually through Council's Operational Plan process, taking into consideration asset condition and prioritisation. This process allows for community engagement towards infrastructure renewal priorities.

New infrastructure

With the population of North Sydney growing and evolving, new infrastructure funding is important to cater for community needs. The following new infrastructure is provided within the option in this plan.

Option 1 – New infrastructure is limited to Local Area Transport Management Plan projects which are forecast to attract 50% grant funding.

Option 2 – New infrastructure is limited to Local Area Transport Management Plan projects which are forecast to attract 50% grant funding.

Option 3 – Provides \$16.9 million over ten years for new infrastructure projects to support the growing population. Indicative projects and timing are provided below, and include a modest range of infrastructure projects in response the community engagement to address challenges associated with:

- Maximising the use of existing open space
- Reducing emissions
- Traffic management
- Supporting disability and inclusion
- Improving stormwater reuse

Project	Indicative Year	Budget (not indexed)
Bushland walking track upgrade – Badangi Reserve	Year 1	\$200,000
Bushland walking track upgrade – Balls Head Reserve	Year 2	\$246,000
Bushland walking track upgrade – Brightmore Reserve	Year 2	\$130,000
Bushland walking track upgrade – Primrose Park	Year 3	\$222,630
Bushland walking track upgrade – Gore Cove/Smoothy Park	Year 4	\$227,550
Bushland walking track upgrade – Tunks Park	Year 5	\$70,000
Bushland walking track upgrade – Berry Island Reserve	Year 6	\$210,000
Renewable energy capacity on Council infrastructure	Years 1-10	\$80,000 per annum
Expand stormwater harvesting and water reuse systems at Primrose Park	Year 2	\$120,000
Expand stormwater harvesting and water reuse systems at Tunks Park	Year 3	\$120,000
Digital community noticeboard – Civic Park	Year 2	\$100,000
Improve the drainage, irrigation and playing surfaces at Primrose Park sportsfields to reduce lost playtime due to weather.	Year 3	\$1,300,000
Improve the drainage, irrigation and maintenance regimes at Tunks Park sports fields to reduce lost playtime due to weather.	Year 5	\$1,750,000
In consultation with the community and key stakeholders, expand the capacity of Tunks Park sports fields through improved infrastructure	Year 5-6	\$1,000,000
Implement projects to improve accessibility of parks and playgrounds across the LGA.	Years 1-10	\$200,000 per annum
One park enhancement project per annum	Years 1-10	\$100,000 per annum
Recreational facilities	Years 1-10	\$110,000 every 2 yrs
Deliver landscape and lighting upgrades in Blue Point Reserve	Year 5	\$1,050,000
Construct perimeter path around Waverton Oval suitable for recreational cycling, jogging etc.	Year 7	\$250,000
Complete the Cremorne Reserve Pathway improvements project.	Years 2-3	\$1,200,000
Local Area Transport Management (LATM) projects	Years 1-10	Average \$687,000 per annum
Blues Point Road traffic management works	Year 1	\$600,000
Upgraded entry signage for the LGA	Year 2-5	Average \$125,000 per annum
Dual signage and place naming for key public spaces	Year 3-10	\$30,000 Year 3, \$20,000 per annum Year 4-10

Note: the figures in the above table include part grant or developer co-contribution where applicable

Funding to support projects in Council's development contributions plan

When new homes or businesses are built, they create extra demand for things like roads, parks, drainage, footpaths, and community facilities. To help pay for this, councils require developers to contribute money – called “developer contributions” – which go towards building or upgrading this local infrastructure. These contributions are important because they ensure that new development helps fund the facilities it relies on, rather than putting the full cost on existing residents.

However, developer contributions usually don't cover the entire cost of the infrastructure needed. That's because some projects benefit both new and existing communities. In those cases, the remaining funding may come from Council budgets, ratepayers, or other government sources. This means that delivering the infrastructure to support growing communities is often a shared responsibility.

Council's development contributions plan includes a series of projects to support the growing community. The table below demonstrates the level of funding provided by developers vs the contribution required by Council.

Purpose	Project combined cost (\$,000)	Developer contribution (\$,000)	Council contribution (\$,000)
Open space and recreation	192,285	79,563	112,722
Community facilities	25,512	15,983	9,529
Public domain improvements	163,355	78,653	84,702
Active transport	17,724	4,499	13,225
Total	398,876	178,698	220,178

Options 2 and 3 each provide for the development of a capital works reserve to assist in realising projects within the plan. Option 2 contributes \$17.9 million over the ten-year period, while Option 3 contributes \$40 million.

This indicates that funding for the remainder of the plan will need to be considered in future revisions of Council's financial strategy.

New Corporate Systems

North Sydney Council's IT environment consists of a diverse mix of legacy systems that have developed over many years. These systems are largely disconnected and often outdated, limiting the Council's ability to deliver efficient and effective services. A history of underinvestment has restricted opportunities to modernise, integrate, and improve the IT infrastructure. As a result, Council faces challenges with operational efficiency, data quality, security, and overall user and customer experiences.

Key Issues

- *Legacy Systems and Limited Integration:*
The Council operates approximately 86 different applications, including Authority ERP and TechOne ECM, many of which have limited or outdated integration capabilities. Data sharing between systems is often done through point-to-point connections or batch processing, rather than through more modern, centralised integration platforms. This leads to information silos, delays in data availability, and complexity in managing workflows across departments.
- *Manual Processes and Data Duplication:*
Staff frequently need to enter the same information multiple times into different systems because of the absence of a consolidated data management system. This significantly increases the time required to complete tasks and raises the risk of data entry errors, which impact reporting and decision-making.
- *Data Quality and Governance Issues:*
The fragmented data environment and repeated manual input lead to inconsistencies and inaccuracies. This undermines confidence in reports and dashboards and complicates efforts to maintain a reliable single view of customers, properties, and assets.
- *User Experience Challenges:*
Key systems feature outdated interfaces that are not user-friendly. With limited formal training and inconsistent processes, staff face difficulties in efficiently using these systems, which affects productivity and morale.

- *Customer Service Limitations:*
The Council lacks a dedicated Customer Relationship Management (CRM) system, resulting in fragmented customer data and inconsistent service delivery. Manual handling of community engagement and requests further slows responses and impacts satisfaction.
- *Lack of Modern Capabilities:*
The existing IT environment misses important features such as automation tools, real-time data access, and smooth cross-system collaboration. Without these, staff rely heavily on manual workarounds, which restricts operational efficiency and responsiveness.
- *Cyber Security Risks:*
Some older systems do not meet current security standards like multi-factor authentication or encryption protocols. This leaves them vulnerable to cyber threats including ransomware and data breaches, which could disrupt Council services and erode community trust.
- *Underfunding and Technical Debt:*
Longstanding underinvestment has resulted in technical debt, reducing the Council's ability to update infrastructure, adopt cloud services, or implement new technologies. This financial constraint has slowed progress in modernising IT systems and improving digital service delivery. These challenges prevent the Council from fully realising efficiencies, improving service delivery, and enhancing security. The ongoing reliance on fragmented and outdated systems presents operational risks and negatively impacts staff and community satisfaction.

Addressing these systemic issues requires a comprehensive digital transformation strategy, one that prioritises the replacement of legacy infrastructure with integrated, cloud-based solutions. Transitioning toward a centralised data ecosystem would reduce duplication, enhance data quality, and provide staff with the tools necessary for timely and informed decision-making. In parallel, introducing a modern CRM platform could unify customer touchpoints, streamline engagement, and drive consistency across service channels.

Improving the user experience is equally critical. Investing in user-centric design and structured training programs would empower staff, cultivating both confidence and proficiency. Automation and real-time data access – currently lacking – should become foundational elements, freeing personnel from repetitive manual tasks and enabling them to focus on higher-value activities.

Finally, the Council must place a renewed emphasis on cyber security and sustainable funding models. By adopting best-practice security protocols and committing to ongoing investment in technology, the Council can mitigate risks, future-proof operations, and ultimately foster greater trust within the community. Only through decisive action and a clear vision for digital modernisation can the Council unlock new efficiencies, improve services, and deliver lasting value for both staff and residents.

Current State

North Sydney Council's IT environment is in a critical state, plagued by a diverse mix of legacy systems that have developed over many years. These outdated and disconnected systems severely limit the Council's ability to deliver efficient and effective services. The Council operates approximately 86 different applications, many of which have limited or outdated integration capabilities, leading to information silos, delays in data availability, and complexity in managing workflows across departments. The absence of a consolidated data management system forces staff to enter the same information multiple times into different systems, significantly increasing the time required to complete tasks and raising the risk of data entry errors. This fragmented data environment and repeated manual input lead to inconsistencies and inaccuracies, undermining confidence in reports and dashboards. Additionally, key systems feature outdated interfaces that are not user-friendly, affecting productivity and morale.

Longstanding under-investment has resulted in technical debt, reducing the Council's ability to update infrastructure, adopt cloud services, or implement new technologies. To effectively address these systemic challenges, a comprehensive digital transformation must be driven by strategic budget allocation and targeted resourcing. Prioritising investment in the replacement of legacy infrastructure and the adoption of integrated, cloud-based solutions will require sustained financial commitment and clear resource planning. By earmarking funds for modern technology platforms and ensuring dedicated teams to manage implementation, the Council can accelerate the shift away from outdated systems, maximise operational efficiencies, and support staff with the tools and training needed for lasting improvement.

Option 1 – Rate peg

This option covers only the minimum essential investment needed to ensure Council's IT environment remains operational, supported, and compliant. It is a direct response to years of underfunding and technical debt, intended to address the most urgent risks.

Scope includes:

- Upgrading all business-critical applications that are approaching their end of life to vendor-supported versions to ensure ongoing support, security patches, and regulatory compliance.
- Replacement of end-of-life servers, storage, and networking hardware to avoid major outages and loss of vendor maintenance.
- Basic uplift of information security controls to meet minimum NSW Government cyber and audit requirements
- No investment in new features or digital innovation – strictly sustainment and compliance, enabling Council to “keep the lights on” and meet core obligations.

This scenario is focusing on preventing imminent loss of support and alleviating excessive operational risk for core systems critical to finance, payroll, development applications, records management, and customer interactions.

This option provides the absolute minimum short-term solution required to safeguard Council's services and legal obligations. This is not a long-term solution. It does not address long-standing efficiency, service or data limitations nor does it prepare Council for future advances in technology and community expectations.

Special Variation – Options 2 and 3

This is a long-term sustainable technology solution, including core system replacement. This option delivers a transformative uplift, building on Option 1 with a suite of major digital initiatives designed to modernise Council operations, enhance staff productivity, and meet rising service expectations.

Scope includes:

- Full implementation of a new ERP Platform to unify Council's business systems and streamline end-to-end processes.
- AI-powered Planning Solution for development application triage, compliance checking, and accelerated assessments, aligned with NSW Government initiatives for faster planning approvals.
- Asset Management System for proactive maintenance, better lifecycle planning, and reduced risk of unexpected failures.
- Enhanced Contact Centre/Customer Service capability with for 24/7 resident support, faster issue resolution, and multi-channel engagement.
- Enterprise AI Productivity Platform rolled out Council-wide to automate routine tasks, refine reporting, and augment staff capabilities in everyday work.

Option 2 and 3 enables North Sydney Council to realise significant productivity, compliance, and service benefits, future-proofing core business and community services, ensuring North Sydney keeps pace with other councils.

The implementation and change management period is expected to take up to 5 years. It is therefore not expected to deliver cost savings in the short to medium term, however this will continue to be monitored.

Operational Initiatives

The following initiatives are included as indicative actions that could be taken within special variation options 2 and 3 in response to challenges and opportunities identified through research and community engagement which have informed Council's strategic objectives.

The investment in these initiatives is relatively modest. Option 2 provides \$3.9 million over ten years, or an average of \$0.39 million per annum. Option 3 provides \$17.3 million or an average of \$1.7 million per annum over ten years.

Funding will be allocated annually through Council's Operational Plan process, which allows for community engagement towards strategic priorities. This may result in changes to actions indicated below.

Planning Initiatives

Brush Turkey Management Plan	Year 1	\$13,000	Option 3
Develop a masterplan and feasibility study for consolidating a new community centre, underground car parking and a significant new area of open space for Crows Nest on the site which currently accommodates the Holtermann Street car park, Crows Nest Community Centre and Ernest Place.	Year 1-2	\$950,000	Option 2 & 3
Undertake research and commence preparation of a masterplan for the civic precinct in North Sydney (bounded by Ridge, Miller, Church and McLaren Streets) that investigates and incorporates a range of new community space, open space and active recreation spaces.	Years 3-5	\$1,000,000	Option 3
Develop a ten-year plan for expanding library services across the LGA. This includes consideration of potential satellite sites.	Year 2	\$120,000	Option 3
Utilise a demographically select working group for input on major council decisions to ensure the diverse needs of the North Sydney community are considered.	Year 3 and Year 7	\$100,000 for each year	All Options
In consultation with the community, develop a masterplan for Cammeray Park that increases opportunities for multi-use and addresses community demand for active and passive recreation.	Year 1	\$300,000	Option 2 & 3
Prepare a masterplan for Blues Point Reserve and Henry Lawson Reserve.	Year 3	\$1,000,000	Option 3
Review and update masterplan for Tunks Park.	Year 1	\$50,000	Option 3
Strategic planning initiatives, including affordable housing scheme	Years 1-4	\$40,000 Year 1, \$150,000 Years 2-4	Option 2 & 3
Explore funding and delivery models to achieve the delivery of affordable housing, an early childhood health centre and public carpark through the Parraween Street development project.	Year 1	\$30,000	Option 2 & 3
Undertake a review of Council landholdings to determine if any sites could be used for affordable housing in collaboration with a community housing provider.	Year 1	\$30,000	Option 2 & 3
Review the North Sydney Local Housing Strategy and update to address emerging challenges relating to housing supply, affordability, quality and amenity, and consider the impacts of dwelling vacancies, decreasing household sizes, the rise of short-term accommodation and other emerging pressures on housing supply.	Year 1	\$20,000	All Options
Implement changes, as required, to ensure compliance with the ministerial order regarding determination times for development applications and planning proposals.	Year 1	\$150,000	All Options
Review building assets and commercial property to ensure best value utilisation that aligns with Council's strategic direction.	Year 1	\$100,000	Option 2 & 3
Undertake a comprehensive review and assessment of the condition of Council's building assets to inform prioritisation of renewal funding.	Years 2-3	\$130,000	Option 2 & 3

Sustainability Initiatives

Collaborate with universities and marine science institutes to enhance seawall biodiversity by installing habitat tiles along North Sydney's coastal area.	Years 1-10	\$10,000 per annum	Option 3
Develop project scope and feasibility studies for community batteries and virtual power plants on Council owned land.	Year 1	\$15,000 per annum Years 1-4, \$8,000 per annum Years 5-10	Option 3
Collaborate with industry stakeholders to facilitate the implementation of community batteries and virtual power plants on Council-owned land, targeting an additional 2 MW/h storage capacity to help facilitate the transition to a 100% renewable energy grid.	Years 1-10	\$15,000 per annum	Option 3
Deliver a water catchment community awareness campaign	Years 1-10	Average \$10,000 per annum	Option 3

Access, Social Inclusion and Cohesion Initiatives

Identify opportunities and implement projects to improve accessibility of Council programs, services, facilities and events. This includes exploring ways to become an exemplar for access and inclusion.	Year 1-10	\$70,000 in Year 1, \$100,000 per annum Year 2-10	Option 3
Develop and implement opportunities for young people in the community to have input into Council's decision-making processes, including through formal consultations, social media and surveys.	Years 1-10	\$15,000 per annum	Option 3
Develop a 'Know your Neighbour' program to encourage residents and local businesses to get together informally in local green and community spaces, and existing community groups.	Year 2	\$50,000	Option 3
Review and refresh Council's program of events and activations to ensure they are responsive to community needs and leverage key assets.	Years 2-10	\$230,000 per annum	Option 3
Partner with cultural and creative organisations to host joint events, for example multicultural festivals.	Years 2-10	\$40,000 per annum	Option 3
Develop a 'Welcome Pack' for new residents to the area with detailed information about the LGA, including resources, services and spaces.		\$20,000 in Year 1, and \$5,000 per annum Years 2-10	Option 3
Develop and implement a creative hoardings program.	Years 1-10	\$80,000 Year 1, \$20,000 Years 2-10	Option 3
Explore opportunities to work with First Nations community members to share and make First Nations cultural heritage visible in North Sydney through First Nations led tours, dual naming, interpretive signage, art and other projects.	Year 3	\$30,000	Option 3
Work with First Nations community members to develop a First Nations advisory committee.	Years 1-10	\$15,000 per annum	Option 3
Review the framework and system for Council's grants and subsidies program to ensure alignment with Council's strategic outcomes.	Years 1-10	\$20,000 per annum	Option 3

Open Space and Infrastructure

Maintenance and operation of new public space through the Berrys Bay project. This project includes fit out of Woodleys Shed as a community facility.	Years 3-10	\$125,000 in Year 1, \$200,000 per annum Years 2-10	Options 2 & 3
Operational costs associated with infrastructure improvements aimed at increasing the capacity and utilisation of sportsfields.	Year 1-10	\$50,000 in Year 1-2, \$100,000 Years 3-10	Option 3
Maintain Wendy's Secret garden	Years 1-10	\$80,000 per annum	Options 2 & 3
Replant and maintain the Mitchell Street green wall in St Leonards.	Year 1-10	\$140,000 Year 1, and \$40,000 Years 2-10	Options 2 & 3

Transport Initiatives

Review existing walking infrastructure across the LGA and develop a North Sydney Walking Action Plan to improve walkability through the provision of missing links, pathway upgrades, tree planting and new infrastructure to improve safety and amenity.	Year 2	\$120,000	Option 3
Undertake a holistic review of parking in the LGA, including on-road and in council operated carparks. Consideration will be given to the existing on-road parking management policy, disability parking policy, residential parking permit scheme, parking station utilisation, car share and pricing of permits. The review shall seek to ensure that parking provision and restrictions are fair and equitable, and resident permit allocations are not issued beyond available capacity.	Year 1-2	\$201,250	Option 3
As part of the holistic review of parking in the LGA, undertake a study to assess freight network needs, address delivery access challenges, and explore opportunities to support vibrant centres while reducing impacts on residents.	Year 1	\$50,000	Option 3

Economic Development Initiatives

Develop a program to support small business-led initiatives that enhance local trade.	Years 2-10	\$30,000 per annum	Option 3
Collaborate with local businesses to develop and deliver a program that encourages increased local spend.	Years 3-10	\$30,000 per annum	Option 3
Undertake a data and analytics project to gather insights to support businesses within the LGA and grow the local economy.	Years 2-10	\$100,000 year 1, and \$10,000 years 2-10	Option 3
Economic development resource to support business and tourism initiatives	Years 2-10	\$260,000 per annum	Option 3

Governance Initiatives

Implement a risk and audit management system to enable the recording and tracking of risk and audit actions.	Years 2-10	\$10,000 per annum	Option 3
Implement a system for monitoring legislative compliance.	Years 1-10	\$10,000 per annum	All options

2020 Long-Term Financial Plan

North Sydney Council's last comprehensive review of its Long-Term Financial Plan was in January 2019 for the period 2018-19 to 2027-28. Since the development of this plan, actual results have been impacted by the COVID pandemic.

As part of this resourcing strategy, an application for special variation was made to IPART for an accumulative increase in general rating income of 40.26% over five years, or \$100 million above the rate peg over 10 years. IPART approved a cumulative increase of 22.5% over three years, or \$64.1 million above rate peg.

Council's application aimed to enhance financial sustainability, maintain and renew infrastructure, reduce its backlog, invest in new infrastructure and maintain existing services.

Following IPART's decision, the LTFP was amended in July 2020 incorporating the reduced rating income. Since 2020, actual results have not reached forecast expectations.

A review of the adopted July 2020 LTFP indicates that despite the assumptions outlined in the plan, the following material differences occurred between forecast and actual:

1. The employee benefits and on-costs forecast was short of LG Award increases by approximately \$1 million by the fifth year – 24-25. Actual results over the five year period since 2020-21 have been immaterially under forecast. The workforce establishment has been disrupted in recent years, due to COVID in 2021, the workforce realignment in 2022-23, and then liquidity measures. For stability of services, it is important the workforce establishment is reinstated.
2. Materials and contracts and other expenses were forecast to decline by 9.4% in 2020-21 and thereafter increase at a rate of between 2.5% and 3%. The cumulative change for the five-year period from 2019-20 was forecast to be 1.5%, whereas the actual cumulative change was 16.23% while the cumulative change in CPI (Sydney) over the period was 22.34%.
3. Depreciation was indexed at an average of 2% over the ten-year period from a 2019-20 forecast expense of \$21.5 million. The actual depreciation expense in 2019-20 was \$29.3 million, and while fluctuating at immaterial levels, the actual depreciation expense as at 30 June 2025 was \$30.4 million.
4. Borrowing costs have increased throughout the period due to additional borrowings associated with North Sydney Olympic Pool. The original 2024-25 forecast was \$778K, and the actual was \$2.4 million.
5. User charges and fees forecasts were reduced in 2020 in response to COVID, and have fluctuated throughout the period, however remain lower than forecast as at 30 June 2025 by approximately \$2 million.

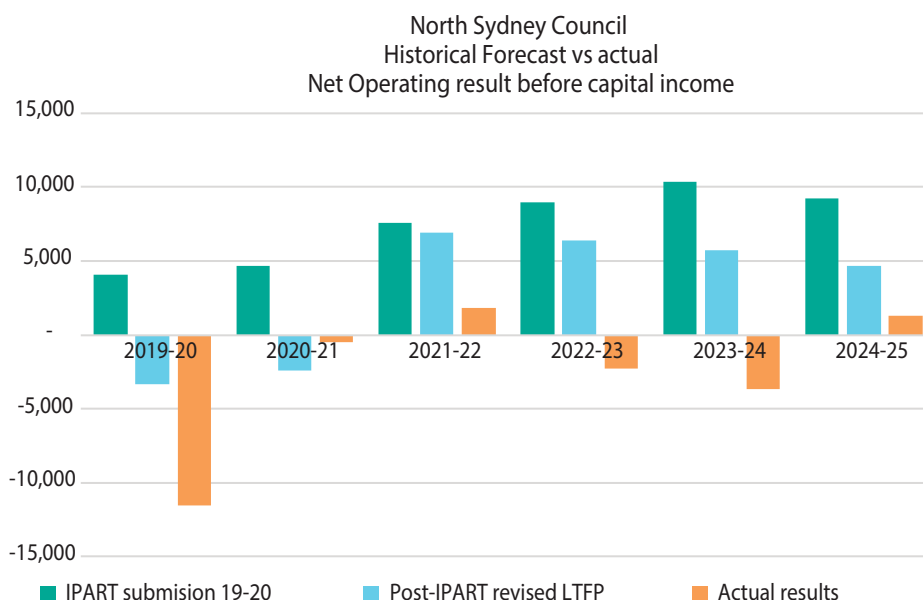


Chart 23: North Sydney Council – Historical forecast vs actual

Rates Income

Over the past five years, an additional 1,111 rateable properties have been developed within North Sydney. Minimum rates for properties have varied from \$602 to \$715 over that time. Income from new properties is used to fund increased operational expenditure associated with additional population, and also a contribution to new and existing infrastructure.

With Council's forecast growth expected to be driven through high density development, given the low minimum rate, this will continue to place pressure on Council's ability to respond to population growth.

User Charges, Fees and Other Income (Supplement Income)

An analysis of supplement income, which is calculating by excluding rates, annual charges, interest income, grants and contributions from total income indicates that this income has not kept pace with inflation. The following table highlights the sensitivities of non-rate income sources to economic conditions. Based on this assessment, had income increased in line with inflation, an additional \$10 million in revenue per annum would have been realised by 2024-25.

	2017-18 (\$,000)	2018-19 (\$,000)	2019-20 (\$,000)	2020-21 (\$,000)	2021-22 (\$,000)	2022-23 (\$,000)	2023-24 (\$,000)	2024-25 (\$,000)
Total income	123,126	135,364	121,327	143,578	141,713	157,744	141,629	154,580
Less: rates and annual charges	(56,505)	(58,831)	(62,883)	(66,018)	(71,112)	(72,253)	(75,559)	(79,820)
Less: NSOP	(2,537)	(2,687)	(1,924)	(638)	0	0	0	0
Less: Grants	(12,925)	(21,323)	(12,377)	(29,668)	(27,076)	(33,288)	(12,115)	(18,778)
Less: Fair value adjustments	0	(2,205)	0	(1,007)	(2,769)	(5)	(5)	0
Less: Community housing	(1,031)	0	0	0	0	0	0	0
Less: Interest	(2,653)	(2,407)	(1,970)	(1,373)	(1,368)	(3,690)	(5,612)	(5,759)
Total supplement income	47,475	47,911	42,173	44,874	39,388	48,508	48,338	50,223
CPI	2.10%	1.70%	-1.00%	4.10%	5.30%	6.60%	3.80%	2.10%
CPI adjusted income		48,282	47,799	49,759	52,396	55,854	57,977	60,180
Variance		(371)	(5,626)	(4,885)	(13,008)	(7,346)	(9,639)	(9,957)

North Sydney Olympic Pool

Background

The North Sydney Olympic Pool redevelopment has had a significant and ongoing impact on Council's financial position in recent years. In response to a major variation request, Mayor Zoë Baker requested the commissioning of an independent review of the project in October 2022.

The review identified a range of critical shortcomings in the project's early planning and decision-making stages, which contributed to substantial cost overruns and project risks. Key findings included:

1. **Inadequate Business Case and Budgeting:**
The original business case and project budget lacked detailed financial and non-financial data, resulting in underestimated costs and scope.
2. **Uncontrolled Scope Expansion:**
The transition from Option 2 to Option 2b was driven by Councillors' ambition for a superior facility – an aspiration that did not fully align with community consultation feedback.
3. **Removal of External Project Managers:**
The decision to remove experienced external project managers following the concept design phase significantly weakened project oversight and control.
4. **Weak Governance Structures:**
The governance framework was insufficient, particularly in relation to the composition and authority of steering committees.
5. **Inadequate Risk Management:**
Risk management processes were not sufficiently robust for a project of this size and complexity, limiting the quality of decision-making.
6. **Delayed Identification of Latent Site Conditions:**
Key site issues were discovered late in the process, resulting in expanded scope, increased costs, and additional unplanned works.
7. **Lack of an Integrated Contracting Strategy:**
Council's decision to separate design and construction contracts – rather than adopt an integrated contracting strategy combining both functions – increased the project's risk profile significantly.
8. **Premature Contract Execution:**
The construction contract was executed before design documentation was complete and while site investigations were still underway, further compounding delivery risks.

The review makes it clear that the original project budget was significantly underfunded and included insufficient contingency for the level of risk taken. Although some cost escalation was driven by expanded scope, many of the financial risks realised during the project stemmed from flawed governance, premature decision-making, and insufficient risk controls.

Council's Response and Ongoing Challenges

In response to the review's findings, Council has taken steps to strengthen its project management capabilities. This includes the appointment of external project managers, quantity surveyors, and programmers to enhance control over variations and manage project timelines. These changes have improved oversight; however, a number of legacy risks remain, contributing to ongoing disputes and legal proceedings.

Despite these challenges, all stakeholders are working collaboratively to deliver the project.

Lessons for Future Projects

The North Sydney Olympic Pool redevelopment highlights the significant financial risks that can result from inadequate governance, project oversight, and strategic planning. While investment in high-profile infrastructure is often prioritised, this case reinforces the importance of also investing in the administrative and governance frameworks that underpin project success. Failure to do so can lead to substantial and long-term financial consequences.

Impact on Council's Financial Position

The significant variance between the original budget and the forecast costs of the North Sydney Olympic Pool redevelopment has placed substantial pressure on Council's financial position and day-to-day operations. Key impacts include:

- Increased debt levels, resulting from the need to fund budget overruns;
- Liquidity constraints, limiting Council's financial flexibility;
- Reduced investment in infrastructure renewal, as funding is redirected to meet project obligations; and
- Operational cost-cutting measures, including maintaining a high number of staff vacancies to preserve cash flow.

Confusion amongst SV submitters

During its assessment of Council's Special Variation (SV) application, IPART noted that many community submitters expressed confusion about whether the SV was intended to directly fund the Olympic Pool project.

It is important to clarify that funding commitments for the North Sydney Olympic Pool had already been made prior to the Special Variation process. As such, Council remains obligated to complete the project, operate the facility, and repay associated debt – regardless of whether the Special Variation is approved.

What the special rate variation does reflect, is both the financial impact and the opportunity cost of the project. In other words, the funding required to meet the project's financial obligations limits Council's capacity to invest in other critical services, infrastructure renewal, and future priorities and therefore contributes to the need for a special variation.

Project forecast cost and funding

The current forecast cost for the North Sydney Olympic Pool redevelopment is **\$122 million**, based on the project's previously anticipated completion date of **December 2024**. This figure does not include allowances for contingencies and legal considerations.

The project has been funded as follows net of contingencies, including legal considerations.

Funding source	Initial funding (\$,000)	Forecast (\$,000)
Loans	\$31,000	\$61,000
Grants	\$15,000	\$15,000
Sale of property – 261-263 Pacific Hwy	\$4,500	\$4,500
Internal reserve – open space and recreation	\$3,000	\$3,000
Internal reserve – capital works reserve	\$1,200	\$5,400
Internal reserve – income producing projects reserve	\$4,121	\$4,121
Internal reserve – insurance reserve	\$500	\$500
Internal reserve – community housing major maintenance reserve	\$1,500	\$1,500
General revenue	\$3,138	\$3,138
Developer contributions		\$5,700
Reduction in infrastructure renewals*		\$18,208
Total	\$63,959	\$122,067
Interest on loans	\$15,289	\$24,039

**This amount only relates to infrastructure renewals reduced to fund the upfront capital cost. It does not relate to infrastructure renewals deferred to fund principal and interest loan repayments, contingencies and legal proceedings.*

Interest on loans is forecast at \$24.039 million over the life of the borrowings, with \$15.60 million payable within the 10-year period covered by Council's Long-Term Financial Plan (LTFP).

Financial Impact on Council

Excluding grants, developer contributions, property sales, and general revenue originally allocated to the project, approximately \$93.73 million has been funded through either:

- Increased loan borrowings,
- Redirection of funds from previously allocated internal reserves, or
- A reduction in infrastructure renewal investment.

Each of these funding mechanisms carries a direct and ongoing impact on Council's financial position – and therefore on ratepayers. Council has sought to manage cash flow, contingency risk, and debt repayments within its existing funding envelope. These trade-offs represent the opportunity cost of the project, with funding diverted to the project not available for other council responsibilities and priorities, such as infrastructure renewal.

Operational Forecast and Opportunity Cost

Once operational, the facility is expected to generate an average operational loss (including borrowing costs) of \$0.99 million over the ten year period based on the target business case. In addition, facility will incur a depreciation expense of \$2.369 million per annum, commencing in Year 1 of the LTFP and subject to annual indexation.

These operating and depreciation costs were not previously factored into Council's long-term financial planning prior to commencement of the project and have contributed to a reduction in available funding for core services, particularly infrastructure renewal.

In future years, once borrowings have been repaid, we expect the facility to generate an operating surplus. This surplus is expected to cover some of the depreciation expense, but not all.

The cumulative financial impact of this project – combined with other pressures – has contributed to the need for Council to consider a Special Variation for financial sustainability.

Link to the Special Rate Variation

The costs associated with the Olympic Pool redevelopment have not previously been addressed through a Special Rate Variation. As a result, funds originally intended to maintain service levels and invest in essential infrastructure have been redirected to this project.

By comparing the costs of the Olympic Pool project with the revenue proposed under current Special Variation options, readers can better understand the project's contribution to the need for rates increase and its broader financial impact on Council's long-term sustainability. Option 2 provides additional revenue of \$190 million over ten years, while Option 3 will provides \$278 million over the same period.

As Council moves towards the operationalising the facility, the focus will increasingly shift to maximising commercial revenue opportunities – while carefully balancing financial sustainability with community access and use.

Cost shifting

Cost shifting occurs when other levels of Government transfer responsibilities or services to local councils without providing adequate funding to carry them out. This might include new regulatory obligations, service delivery requirements, or infrastructure responsibilities. Over time, cost shifting puts significant pressure on councils' budgets, forcing them to stretch limited resources or fund services from their own revenue – mainly through rates and charges.

This undermines financial sustainability, as councils must either reduce services, delay infrastructure investment, or increase rates to cover costs they weren't originally responsible for. In many cases, it limits a council's ability to plan long-term, invest in community priorities, or respond effectively to local needs.

The recent NSW Government Planning Reforms are an example of recent changes which have placed pressure on Council resources.

ATTACHMENTS



ATTACHMENT 1: PRODUCTIVITY AND IMPROVEMENT PLAN

ATTACHMENT 2: SERVICE LEVEL RESEARCH