Independent Pricing and Regulatory Tribunal | NSW

Northern Beaches Council

Special Variation Application 2025-26

Final Report

May 2025

Local Government

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:
Carmel Donnelly PSM, Chair
Dr Darryl Biggar
Jonathan Coppel
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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

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1 Executive summary

Northern Beaches Council applied to IPART to permanently increase its general income by 39.6% over 3 years from 2025-26 to 2027-28.

We did not approve the application in full. Instead, we approved permanent increases of 12.1% in 2025-26 and 11.7% in 2026-27.

Northern Beaches Council (the council) applied to IPART[a] to increase its general income through a permanent special variation (SV) of 39.6% over 3 years from 2025-26 to 2027-28.[1] This comprised increases of 12.1% in 2025-26, 11.7% in 2026-27 and 11.5% in 2027-28.

The council told us that it intends to apply this increase across all rating categories relevant to the area (Residential, Business and Farming).

Table 1.1 Proposed Increase in general income under Northern Beaches Council's SV application

	2025-26	2026-27	2027-28
Annual increase (%)	12.1	11.7	11.5
Cumulative increase (%)		25.2	39.6
Additional annual income ($'000)	23,920	25,928	28,467

The council advised us it sought the special variation to:[2]

- secure long term financial sustainability
- address the backlog in infrastructure and maintenance requirements
- expand environmental and natural risk reduction programs and provide capacity to manage an increasing number of natural disasters
- provide additional funds to improve current services and enable the capacity for larger capital works items identified by the community to be delivered.

[a] On 6 September 2010, the (then) Minister for Local Government delegated to IPART all functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the *Local Government Act 1993* (NSW), including the power to grant SVs.

1.1 IPART's decision

We did not approve the council's SV application in full. Instead, we approved a 2-year permanent SV of 25.2%, comprising an increase of 12.1% in 2025-26 and 11.7% in 2026-27, as set out in Table 1.2.[b] Our reasons for this decision are outlined in IPART's assessment of the council's application 1.2.

Table 1.2 Maximum increase in general income under our decision

	2025-26	2026-27
Annual increase (%)	12.1	11.7
Cumulative increase (%)		25.2
Additional annual income ($'000)	23,920	25,928

Source: Northern Beaches Application Part A and IPART analysis

Our approval is subject to certain conditions, including that the council:

- uses the additional income for the purpose outlined in its application
- reports in its annual report for 2025-26 until 2032-33 the actual program of expenditure funded by the additional income and the outcomes achieved.

The full conditions are set out in Chapter 10.

1.2 IPART's assessment of the council's application

To make our decision, we assessed the council's SV application and supporting materials against the 6 criteria set by the Office of Local Government (OLG) in its *Guidelines for the preparation of an application for an Special Variation to general income* (OLG Guidelines). We found the council met 5 of these 6 criteria.

[b] The annual revenue may vary slightly if the council in future received other adjustments such as Crown land adjustments. These are typically very minor adjustments.

For criterion 1 on financial need we found on balance that the council has not demonstrated a financial need for the SV as set out in its application. We found it has demonstrated a need for additional funds for the first 2 years. We have approved a different SV based on our assessment of this and other criteria which is discussed in Chapter 10.

We made this decision after considering the council's financial need for additional income to secure its long-term financial sustainability, address the backlog on infrastructure and maintenance and to provide additional funds to improve services for its community.

Under the council's proposed SV the council's Operating Performance Ratio (OPR) would be around 8% which is significantly above the OLG benchmark of greater than 0%. We consider this level of OPR to be too high given that part of the surplus funds is to be used to accumulate financial reserves for future capital works and for increasing the capacity for council to respond to future natural disasters. Currently, the council's OPR is slightly negative and without the SV, this would continue to worsen over the next 10 years. This is not sustainable if the council is to continue delivering the services and infrastructure in its adopted plans.

We consider the additional income under the approved 2-year SV to be sufficient for the council to achieve financial sustainability and still accrue surpluses to fund expansions in environmental and natural disaster risk reduction programs and long-term investments in major infrastructure renewals. It would also have a smaller impact on ratepayers in an economic environment where inflation has put considerable pressure on the cost of living.

Many stakeholders told us that the council's proposed rates increase is likely to create affordability challenges in the current economic climate. We found that the council demonstrated the impact on ratepayers is generally reasonable, considering its current rates and the community's capacity to pay. The population of its LGA has higher levels of socio-economic advantage as measured by SEIFA rank and higher median household incomes compared to the average of its OLG Group. The council has a hardship policy and has programs in place to waive charges and fees under certain circumstances.

The approved SV, for a lower amount of 25.2% compared to the 39.6% proposed by the council, will have a smaller impact on ratepayers. With the approved SV, the council's average residential and business rates are expected to be slightly higher than the average rates for both nearby councils and councils with a similar level of socio-economic advantage.

We also found that the council made a significant effort to reach the community and ratepayers to inform them about the proposed SV scenarios and the reasoning behind the proposal. The council used a number of engagement channels and provided opportunities for the community to give feedback. The council received over 5,500 responses to its survey, with 49% of respondents supporting a special variation of 31.1% or higher.[3] The council considered this feedback, and decided to apply for a lower special variation increase than initially intended in consideration of the impact on ratepayers.[4]

The council demonstrated it has delivered significant productivity improvements and put in place cost containment strategies in recent years. The council outlined that its past productivity improvement and cost containment initiatives have resulted in savings of approximately $29.5 million per year in financial benefits. It also identified future initiatives with an estimated annual net benefit of $6 million.[5] The council indicated that it has incorporated the impact of future initiatives into its Long-Term Financial Plan (LTFP). It will need to continue to deliver on future productivity improvements to continue to improve its long-term financial stability.

We found that the council met the reporting conditions attached to its past SV – an Additional Special Variation (ASV) approved in 2022-23.

We have attached reporting conditions to our approval of this SV, and we expect the council to fully comply. While the Office of Local Government (OLG) is the body responsible for enforcing compliance with these conditions, we will consider the council's compliance in assessing any future SV applications it makes.

Figure 1.1 Summary of our assessment against the OLG criteria

Criteria	Grading	Assessment
01	Not demonstrated overall, however financial need for first two years was demonstrated	**Financial need** On balance, the council did not demonstrate a financial need for its proposed 3-year SV. Under its proposal, its average Operating Performance Ratio (OPR) is forecast to be 8.5% in the third year of this period (2027-28) and remain around this level, on average, over the next 6 years to 2033-34. This does not clearly indicate that the council has a financial need for an additional 11.5% increase in 2027-28. While the council did outline high level plans to spend the surplus funds it would generate, it did not demonstrate that it needed to accrue these reserves as rapidly as is forecast under its proposed 3-year SV. However, we are satisfied that the council demonstrated a financial need for the first 2 years of its proposed SV. Our decision would allow the council's OPR to improve from the current -1.3% to 4.5% in 2026-27 and would still allow the council to generate a surplus to provide capacity to manage future natural disasters and fund future capital and environmental projects, albeit at a slower rate.
02	Demonstrated	**Community awareness** The council engaged with and consulted its community extensively. It provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods and considered the community's feedback in its decision.
03	Demonstrated	**Reasonable impact on ratepayers** The council demonstrated that the impact of the proposed SV on ratepayers is generally reasonable. With the SV, its average residential rates would be similar to the averages for comparable councils based on locality and OLG group. Its average business rates would be lower than the averages for comparable councils based on locality and OLG Group. The council assessed the community's capacity to pay, and concluded it has the capacity to pay its proposed rates increases. The council intends to review the appropriateness of the current balance of rates income. The population of its LGA has higher levels of socio-economic advantage as measured by SEIFA rank and higher median household incomes compared to most other council areas.

Criteria	Grading	Assessment
04	Demonstrated	**Integrated Planning and Reporting documentation** The council exhibited and adopted all necessary Integrated Planning and Reporting (IP&R) documents before submitting its SV application.
05	Demonstrated	**Productivity improvement and cost containment** The council outlined that its past productivity improvement and cost containment initiatives have resulted in savings of approximately $29.5 million per year in financial benefits. It also identified future initiatives with an estimated annual net benefit of $6 million. The council indicated that it has incorporated the impact of future initiatives into its Long Term Financial Plan (LTFP).
06		**Other matters IPART considers relevant** The council complied with the conditions attached to SVs it was granted in the past 10 years. It had one Additional Special Variation (ASV) of 2.0% in 2022-23.[6]

1.3 Stakeholders' feedback

Councils are required to consult with their communities as part of the Integrated Planning and Reporting (IP&R) framework. The OLG criteria that we assess SV applications against requires us to look at this consultation as part of our assessment.

Northern Beaches Council consulted on its proposed SV with its community using a variety of engagement methods. The council received 800 written submissions, recorded 6,084 survey responses, held public and online meetings, and published website content that had 45,419 visitors.[7]

The council has 104,121 rateable properties.

As a further input to our assessment, we published the council's application on our website for a 4-week consultation period and invited stakeholders to provide feedback directly to IPART.

Through this process, we received 2,683 responses to our feedback form and 556 submissions on Northern Beaches Council's proposed SV. These submissions and responses raised concerns about the:

- affordability of the proposed rate increases
- council's financial management
- council's current services and infrastructure
- council's consultation with the community
- community's willingness to pay for an SV
- amalgamation and efficiency
- sufficiency of existing financial resources.

We also received a small number of submissions that supported the increase in rates to maintain service levels and conduct infrastructure and service renewals and improvements.

We consider stakeholder feedback in more detail in Chapter 3 and throughout this report as relevant to our assessment.

1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income over the 2 years from 2025-26 to 2026-27. The council can defer rate increases up to this maximum amount for up to 10 years.[8]

The council has proposed to increase rates over this period as set out in Table 1.3. Subject to the council's final decision on increasing rates in line with the approved special variation, we understand average rates will increase by 25.2%. It retains the discretion to revise how it raises its general income across the rating categories. We encourage the council to consult with its community to decide how best to implement the increase and any changes to the rating structure.

We expect the council to continue to pursue productivity improvements to minimise costs to ratepayers and ensure its financial stability over the long term.

Table 1.3 Average rates increases under the approved SV

	2025-26	2026-27	Cumulative increase
Residential	12.1%	11.7%	25.2%
Business	12.1%	11.7%	25.2%

Note: These figures may have been rounded in calculation.

The rest of this report explains how and why we reached our decision on Northern Beaches Council's special variation application in more detail.

2 The council's special variation application

This section of our report sets out the council's proposal and summarises the information that the council provided to support its application. The full application and all non-confidential supporting documents are available on our website.

The council applied for a multi-year SV with a cumulative increase of 39.6% over the 3 years from 2025-26 to 2027-28. Table 2.1 sets out the percentage by which the council proposed to increase its general income and the expected annual revenue this would raise.

Table 2.1 Proposed SV

	2025-26	2026-27	2027-28
Annual increase (%)	12.1	11.7	11.5
Cumulative increase		25.2	39.6
Additional annual income ($'000)	23,920	25,928	28,467

Source: Northern Beaches Council Application Part A, WS 2 and WS 6

The council proposed a permanent SV, this means that, if approved, the increases to the council's general income would not be reduced at the end of 2027-28.

The council advised us it sought the special variation to:

- secure long term financial sustainability
- address the backlog in infrastructure and maintenance requirements
- expand environmental and natural risk reduction programs and provide capacity to manage an increasing number of natural disasters
- provide additional funds to improve current services and enable the capacity for larger capital works items identified by the community to be delivered.[9]

2.1 Impact of the proposed special variation on ratepayers

The council proposed that rates would increase for all rating categories over the 3-years the SV is in place.[10] It proposed that, on average:

- **residential rates** by 2027-28 would increase by $672.80 or 39.6%
- **business rates** by 2027-28 would increase by $1,737.60 or 39.6%
- **farmland rates** by 2027-28 would increase by $969.40 or 39.6%[11]

The council provided the number of rates notices that it expects to issue for 2025-26. See Table 2.2.

Table 2.2 Number of rates notices per category in 2025-26

Ratepayer category	Number of rate notices
Residential	96,354
Business	7,760
Farmland	7
Total	**104,121**

Source: Northern Beaches Council, Part A application Worksheet 4.

2.2 The council's assessment of affordability and capacity to pay

The council assessed the affordability of its proposed rates increases, including the community's capacity to pay. The basis of its analysis was a report produced by Morrison Low in 2024.

Its analysis considered the levels of social disadvantage, vulnerable groups and household expenditure in the Northern Beaches Local Government Area (LGA) relative to other areas.[12] It found that the LGA generally has higher levels of advantage and lower levels of disadvantage compared to Greater Sydney, NSW and Australia.[13] The report found that the LGA is amongst the 5% most economically advantaged LGAs in Australia.[14] It concluded that ratepayers do have a capacity to pay, particularly if supported by appropriate hardship policies.[15]

The report also analysed the capacity of businesses in the LGA to afford the rate increase. It noted that Northern Beaches Council has the third lowest ordinary business rates out of the 18 councils in its OLG Group.[16] It highlighted that local Gross Regional Product has increased by 27% since 2013 and that the ratio of local jobs to residents has increased in the last decade.[17] The report supported the feasibility of rate increases for business in the LGA and suggested the local economy has a strong capacity to pay.[18]

The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates. The policy allows residents to enter different types of payment plans, provides financial assistance to pensioners, and allows the council to write-off certain charges and accrued interest.[19] A Voluntary Rates Pensioner Concession at a maximum of $150 per year is also available for pensioners who complete at least 20 hours of local volunteer work a year.[20]

This is in addition to the concession councils must provide to eligible pensioners, which is half of the total ordinary rates and charges for domestic waste management services, up to a maximum of $250 each year.[21]

2.3 Impact of the proposed SV on the council's general income

The council estimated that if approved, its proposed SV with a total cumulative increase of 39.6%, would increase its permissible general income from $197.7 million to $276.0 million after the 3 years, which would remain permanently in the rates base.[22]

2.4 Further information provided

Following our preliminary assessment of the council's application, we asked the council to provide:

- an updated Part B Application with Tables 3 and 12 completed
- separate inclusions of the relevant extracts from the 2022-23 Annual Report and Past SV Instrument. The council included links to these documents in its application but not the documents themselves.

We also sought clarification on:

- whether the council intended to have projected growth in employee numbers and planned operating cost savings at 0% over the next decade in WS10 of its Part A Application or if this was an error.

The council provided us the relevant materials and clarified it had projected no growth in employees and that planned operating cost savings are already incorporated into its LTFP. We considered this additional information in our assessment.

We also sent an RFI to the council regarding its Unrestricted Current Ratio. We sought:

- the council's working papers used for calculating their Unrestricted Current Ratio under both the baseline and proposed SV scenarios.
- the council's policy regarding financial reserves.

The council provided this material to us and it was subsequently used for our analysis.

3 Stakeholders' feedback to IPART

We expect the council to engage with its community so that ratepayers are fully aware of any proposed special variation and the full impact on them. This is one of the criteria we use to assess the council's application (see Chapter 5 for our assessment and Appendix A for the full criterion).

As a further input to our assessment, we published the council's application on our website for a 4-week consultation period from 25 February 2025 to 24 March 2025. Stakeholders could complete a survey-style feedback form and make submissions directly to us.

We have taken all stakeholder feedback into account in making our decision in accordance with our Submissions Policy, including responses to our feedback form and submissions. The key issues raised in the feedback form and all published (non-confidential) submissions are outlined below.

3.1 Summary of feedback we received

We received 2,683 responses to our feedback form and 556 total submissions of which 367 were not confidential.

There are approximately 104,000 rateable properties in the council's local government area. There are 96,354 residential assessments, 7,760 business assessments and 7 farming assessments.

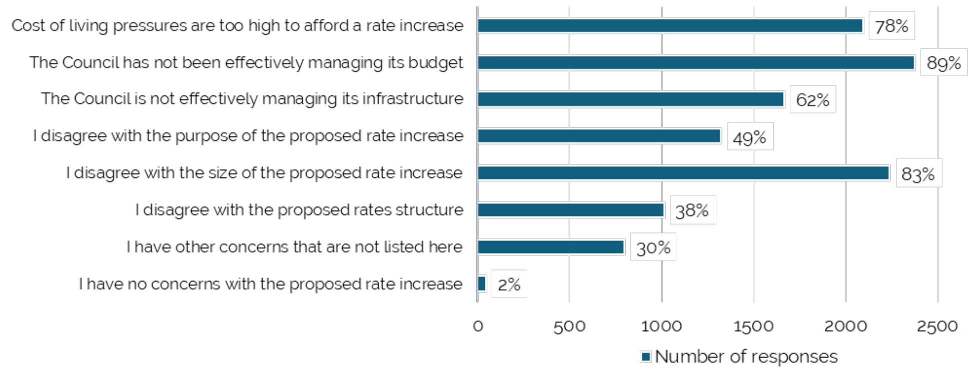
3.2 Responses to the feedback form

We published a feedback form to assist stakeholders to provide their views to IPART on the proposed SV generally, and on a range of specific topics. These included the affordability of the proposed rates increases, the council's consultation on the proposed SV, and the council's financial management. We note that while this was a survey-style feedback form, it was not a statistically representative survey, and participants self-selected to provide feedback.

We received 2,683 responses relating to Northern Beaches Council's application. Of these 94.2% of respondents were opposed to the proposed SV, 3.4% partly supported it and 2.1% of respondents supported it.

Figure 3.1 and Figure 3.2 show the main reasons that stakeholders said they might oppose or might support the proposed SV.

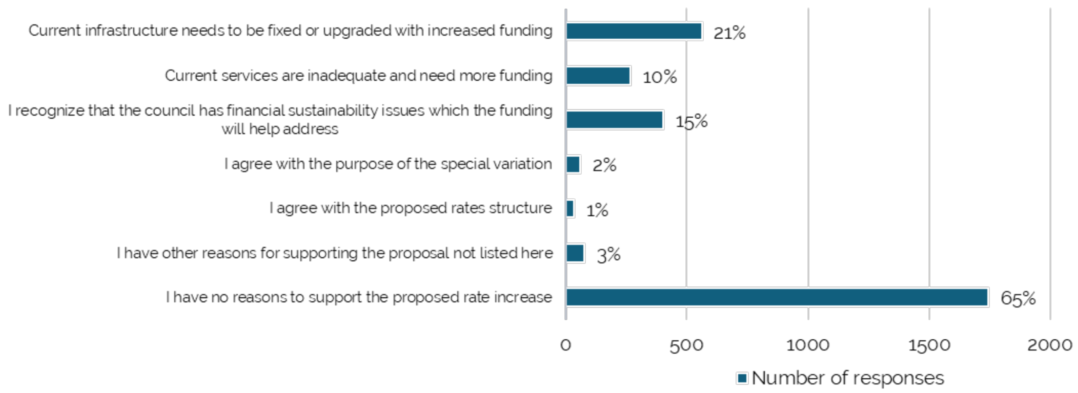
Figure 3.1 Reasons that respondents said they might oppose the proposed SV



Note: We received 2,683 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART analysis

Figure 3.2 Reasons that respondents said they might support the proposed SV



Note: We received 2,683 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART analysis

The other responses to the feedback form are considered in Chapters 5, 6 and 8. The full results are available in Appendix C.

3.3 Summary of issues raised

The key issues and views raised in the public submissions and feedback form, and our responses to them, are summarised below.[c]

3.3.1 Affordability of proposed rates increases

Most of the submissions we received raised concerns about the impact of the council's proposed SV on the affordability of rates and suggested this would lead to financial hardship. Many of these submissions said that the timing of the SV was poor given current pressures on cost of living. They put the view that given increasing costs of living and mortgage stress, any increases in rates would have a detrimental effect. Some submissions pointed out the significant number of pensioners and others on fixed incomes in the LGA who would be adversely impacted by the SV.

We have considered these concerns and outlined our conclusion in Chapter 6.

3.3.2 The council's financial management

Many submissions raised concerns that the council has not used its resources efficiently and that the proposed SV is a way for the council to mitigate its financial mismanagement. Some submissions expressed frustration at the number of staff employed by the council, particularly managerial and executive staff numbers and the pay of executive staff and the CEO. Some stakeholder submissions also highlighted spending on projects they regarded as wasteful such as '3-D pedestrian crossings'. As the council is responsible for managing its finances, IPART's ability to assess the council's financial decisions outside of the SV assessment is limited.

Some submitters stated that the council needed to make significant cuts to 'nice to have' but not necessary programs or major revisions to its operating strategy.

The elected councillors are responsible for managing the council's finances. IPART does not have authority to examine the council's financial decisions or financial management more broadly, beyond our assessment of the SV application against the OLG Guidelines.

3.3.3 The council's current services and infrastructure

Some submissions expressed the view that the council's current services and infrastructure are unsatisfactory. A significant number of submissions expressed that the council has taken on too many non-core functions such as hosting local market events and should stick to baseline services such as rubbish collection.

[c] Where a submission was marked as confidential we have not raised it here to protect confidentiality. Matters raised in the feedback form free-text section have generally been treated as confidential submissions.

3.3.4 The council's consultation with the community

Many submissions put forward the view that the council's community consultation on the proposed SV was not transparent. Many ratepayers that made submissions were frustrated that the council had not taken on stakeholders' feedback, noting that the council had pursued an SV even though only 11% of respondents supported the specific SV proposal the council adopted and 51% of respondents to the council's survey had opposed any rate increase. Other ratepayers also felt that the full extent of what the council proposed to do with the extra money was not well explained or was vague.

Some ratepayers that made submissions were also frustrated that the time to submit feedback to the council was over the Christmas and New Year period where it was difficult for people with families to find the time to make a submission.

We have considered these concerns and outlined our conclusion in Chapter 5.

3.3.5 The community's willingness to pay for a special variation

Many of the stakeholders who made submissions to IPART indicated they were unwilling to pay for some of the council's proposed projects. For example, some expressed the view that the council should 'live within its means' rather than raise rates to fund 'extravagant' and 'nice to have' spending projects, unnecessary events and high CEO and managerial pay.

We have considered these concerns and outlined our conclusion in Chapter 6.

3.3.6 Amalgamation and efficiency

Some submissions noted that the amalgamation of the council was meant to bring increased efficiency and cost savings which they say have not been realised.

3.3.7 Conducting an audit

Multiple submissions suggested that the council's finances had been mismanaged and should be subjected to an audit, either internally or externally.

IPART's ability to directly influence a council's spending or recommend an audit are limited.

3.3.8 Sufficiency of existing financial resources

Multiple stakeholders suggested that the council already has sufficient financial resources to maintain services and infrastructure and hasn't justified the need for the SV. They said that the council has approximately $200 million in investments, that it has recently paid off significant amounts of debt and is in a budget surplus.

Our assessment of the council's net cash reserves is discussed in Chapter 4.

4 Our assessment of OLG Criterion 1 – Financial need

OLG Criterion 1 requires the council to clearly articulate and identify the need for, and purpose of, the proposed SV in its IP&R documents. It also requires the council to demonstrate the financial need for the SV by assessing the impact of the SV on its financial performance and position, and to canvass alternatives to the SV to meet the financial need.

Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 1, we reviewed the council's IP&R documents and the information in its application. We also considered stakeholders' comments on financial need received via our feedback form and submissions and undertook our own analysis of the council's financial performance and position. We do not audit council finances, as this is not part of our delegated authority.

We found on balance that the council has not demonstrated a financial need for the SV as set out in its application. We found it has demonstrated a need for additional funds for the first 2 years. We have approved a different SV based on our assessment of this and other criteria which is discussed in Chapter 10.

The council clearly identified the need for and purpose of the proposed SV in its IP&R documents. It demonstrated that currently its operating expenses exceed its revenue slightly and that without the SV, this gap would continue to worsen over the next 10 years. It also demonstrated it had canvassed some alternatives to the SV to fill this gap and that some significant alternative income streams are expected to deliver declining revenue in the short-term.

However, under the proposed SV we note that the council's Operating Performance Ratio (OPR) would be around 8% which is significantly above the OLG benchmark of greater than 0%, with a projected average surplus of $45.1 million annually in the six years following the conclusion of the proposed SV, with an average of $33.5 million over the next decade.[23] The council has clearly established a financial need for an increase in revenue, however we consider the proposed amount (39.6% cumulatively over three years) is more than the council requires to address the financial need it has demonstrated.

While we considered a temporary SV as a potential option, we found that this would not allow the council to build up reserves to fund major infrastructure renewal projects. In addition, with a temporary SV the council's OPR would fall back to around or below 0% following its conclusion, ultimately leading to an unsustainable long-term financial position where the council's revenues are not covering the costs of the programs and infrastructure investments they intend to adopt. We are satisfied that the council has demonstrated a financial need for the first 2 years of its proposed SV on a permanent basis. Our decision to approve the first two years of the council's proposed SV would allow the council's OPR to improve from the current -1.3% to 4.5% in 2026-27.

The sections below discuss our assessment of Criterion 1 in more detail.

4.1 Stakeholder comments on financial need

In their submissions to us, most stakeholders raised concerns related to the financial need criterion. In particular, they said:

- the financial need for rate increases results from poor financial management and oversight
- additional funds could be raised through efficiency savings, including cutting the council's staff numbers and reducing the pay of executive and managerial staff
- the council intends to use the money to build up a surplus which it does not need in the context of the rising cost of living
- the council does not need the SV as it has returned budget surpluses and paid down substantial amounts of debt in recent years
- the council does not need the SV as it has around $200 million in investments
- the council wastes money on non-essential projects and events and should stick to providing core services.

We considered these concerns, taking into account all of the information available to us.

4.2 The council's IP&R documents

We found that the council's IP&R documents, including its Long-Term Financial Plan (LTFP), Delivery Program and Asset Management Strategy, broadly identify and articulate the need for and purpose of the SV.

The documents state that the proposed SV of 39.6% over 3 years is needed to:

- deliver a budget surplus over the next decade to fund numerous initiatives, such as a major renewal of the Warringah Aquatic Centre[24]
- address a backlog for infrastructure renewal and maintenance which the council estimates will cost $255 million over 10 years[25]
- maintain and improve the quality of existing council services[26]
- increase capacity to address environmental issues and increased frequency of natural disasters
- accumulate funds for major infrastructure projects.[27]

4.3 Our analysis of the council's financial performance and position

We used information provided by the council in its application and IP&R documents to analyse the council's financial performance and financial position and the impact the proposed SV would have on these. This involved calculating financial forecasts under 3 scenarios:

1. **Proposed SV Scenario** – which includes the council's proposed SV revenue and expenditure.
2. **Baseline Scenario** – which does not include the council's proposed SV revenue or expenditure.
3. **Baseline with SV expenditure Scenario** – which includes the council's full expenditure from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with the full expenditure program included in its application but could only increase general income by the rate peg.

We then used these forecasts to examine the impact of the SV on key indicators of the council's financial performance and position – namely its operating performance ratio, net cash (or net debt), unrestricted current ratio and infrastructure ratios.

We have generally used averages of the forecasts over the next 5 years for these indicators to smooth annual variability. In this chapter we also present data over a longer timeframe in some tables and charts however we note that data beyond 5 years is subject to greater uncertainty.

4.3.1 Impact on Operating Performance Ratio

The Operating Performance Ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than zero is considered to be financially sustainable because the OPR measures a council's ability to contain operating expenditure within operating revenue.[28] The OLG has set a benchmark for the OPR of greater than zero (see Box 4.1 for more information).

Box 4.1 Operating Performance Ratio

The OPR measures whether a council's income will fund its costs and is defined as:

$$OPR = \frac{Total\ operating\ revenue - operating\ expenses}{Total\ operating\ revenue}$$

where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.

The OLG has set a benchmark for the ratio of greater than 0%.

The ratio measures net operating results against operating revenue and does not include capital expenditure. A positive ratio indicates that an operating surplus is available for capital expenditure.

Generally, IPART considers that a council's average OPR over the next 10 years should be 0% or greater, as this represents the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% may bring into question the financial need for an SV.

However, we recognise that other factors, such as the level of borrowings or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark as set by OLG.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

We found that, over the next 5 years:

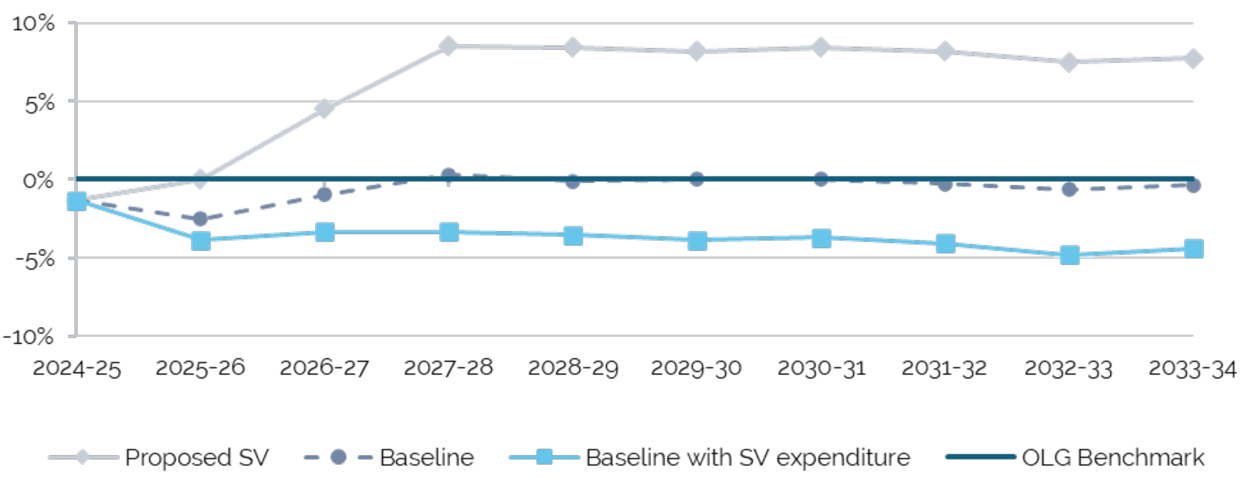
- **Under the Proposed SV Scenario**, the council's OPR would meet the OLG benchmark of above 0%. Its average OPR over this period would be 5.9%.
- **Under the Baseline Scenario**, the council's OPR would remain below 0% before returning to a positive ratio in 2027-28 and hovering at or just below 0% over the forecasted period. Its average OPR over the period would be -0.7%.
- **Under the Baseline with SV expenditure Scenario**, the council's OPR would fall further below 0%. Its average OPR over the period would be -3.6%.

This suggests that without the SV, the council would have a small operating deficit in some years. With the planned SV expenditure, the council would average a -3.6% OPR which would not be financially sustainable.

However, we note that under the council's proposal after the SV is implemented, its OPR would average 8.1% over the six years following its conclusion (see Figure 4.1). This is significantly above both the OLG benchmark of greater than 0% and the council's historical average OPR. The council's historical OPR from 2021-22 to 2023-24 averaged 4.2%.[29] The council's proposed SV would result in an OPR of almost double this amount. We acknowledge the council has strategic infrastructure projects and service improvements which it hopes to fund through building up its financial reserves. But the projected OPR levels under the proposal are high, particularly in the context of cost-of-living pressures and affordability concerns for residents and ratepayers of the LGA.

Our analysis of the impact of the proposed SV on the council's OPR over the next 9 years is summarised in Figure 4.1 and Table 4.1.

Figure 4.1 The council's projected OPR



Notes: OPR shown excludes capital grants and contributions.
Source: Northern Beaches Application Part A.

Table 4.1 The council's projected OPR under 3 scenarios (%)

	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Proposed SV	0%	4.5%	8.5%	8.4%	8.2%	8.4%	8.2%	7.5%	7.8%
Baseline	-2.5%	-0.9%	0.3%	-0.1%	0%	0%	-0.2%	-0.6%	-0.4%
Baseline with SV expenditure	-3.9%	-3.3%	-3.3%	-3.6%	-3.9%	-3.7%	-4.1%	-4.8%	-4.4%

Note: Percentages may not match the figure due to rounding.

Source: Northern Beaches Council, Application Part A and IPART analysis

4.3.2 Impact on net cash

A council's net cash (or net debt) position is an indicator of its financial position. For example, it indicates whether a council has significant cash reserves that could be used to fund the purpose of the proposed SV. We examined the council's cash and investments, and its net cash (debt) to income ratio. Box 4.2 explains these further.

Box 4.2 Cash and investments and Net cash (debt) to income ratio

Cash and investments

Councils hold cash and investments for a variety of purposes, but the use of these can be restricted in one of 2 ways:

- **Externally restricted**. These funds are subject to external legislative or contractual obligations.
- **Internally allocated**. These are subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash to cover those obligations.

Unrestricted funds can be used to fund the council's day to day operations and may be able to be used for the same purpose as the proposed SV. In some cases, this may be enough to avoid or delay the SV or reduce its size. However, this metric does not account for any borrowings or payables that need to be settled.

Net cash (debt) to income ratio

The net cash (debt) to income ratio can show whether a council has sufficient cash reserves left over that could be used to fund the purpose of the proposed SV, *after* taking out its payables and borrowing obligations.

$$Net\ cash\ (debt)\ to\ income\ ratio\ = \frac{(Cash + Investments + Receivables) - (Payables + Borrowings)}{Total\ operating\ revenue\ (excluding\ capital\ grants)}$$

The cash and investments in this formula includes balances subject to *external restrictions* and *internal allocations*.

A positive ratio shows that a council may have access to cash reserves to help address its financial need. A negative ratio shows that a council may not have reserves to rely on to address financial sustainability issues.

For instance, a ratio of 10% means that an entity has 10 cents of net cash per $1 of operating revenue. Conversely, a ratio of -10% means that an organisation has 10 cents of net debt (i.e. -10 cents net cash) per $1 of operating revenue.

Cash and investments

The council advised us that on 30 June 2024, it held a total of $200 million in cash and investments. This comprised: [30]

- **$62 million externally restricted funds.** For Northern Beaches Council, examples include developer contributions, domestic waste management charges and unexpended grants.
- **$88.6 million internally allocated funds.** For Northern Beaches Council, examples include deposits, retentions and bonds, employee leave entitlements, Kimbriki landfill remediation and the future works fund.
- **$49.7 million unrestricted funds.** These funds can be used to fund the council's day to day operations.[31]

This suggests that most of the council's cash reserves are committed to other purposes, except for the $49.7 million that is unrestricted. In addition, the council's LTFP indicates, that without an SV, its unrestricted cash reserves would decline to $31.2 million by the end of 2026/27 before gradually increasing again to above $51.6 million by 2033-34.[32]

We note that multiple submissions highlighted the council's $200 million in cash and investments to suggest that the council does not meet the criteria for financial need. While the council's $200 million in funds are significant, we note that unrestricted cash represents only about $49.7 million of these funds, with the majority of funds being allocated or restricted to commitments to other purposes. The council's Financial Statements also show that of this $49.7 million, income is generated annually through some of these investments (such as the Kimbriki Disposal Centre). [33] This indicates that the council's long-term financial sustainability would likely be impacted if assets were sold off.

Net cash (debt) to income ratio

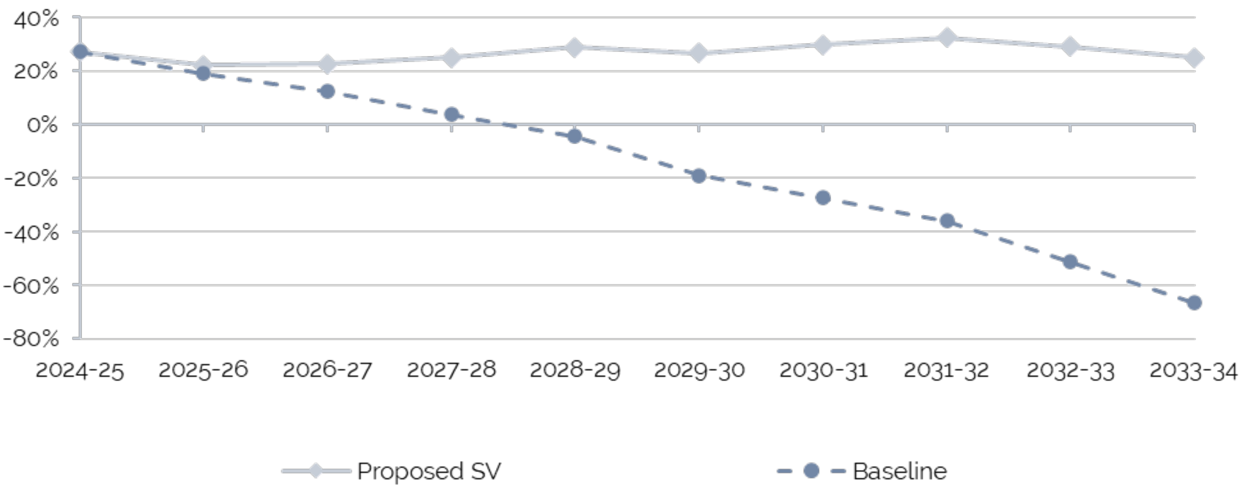
We calculated that as of 30 June 2025, the council would have net cash of $114.9 million. The council would have a net cash (debt) to income ratio of 25% over the next 5 years.

Over the next 5 years:

- **under the Baseline Scenario**, the council's net cash (debt) to income ratio would decline steadily over the next 5 years, averaging 2.3%.
- **under the Proposed SV Scenario**, the council's net cash to income ratio would remain steady over the next 5 years, averaging 25%.

The impact of the proposed SV on the council's net cash (debt) to income ratio over the next 9 years is presented in Figure 4.2.

Figure 4.2 The council's net cash (debt) to income ratio (%)



Source: Northern Beaches Council, Application Part A, Worksheet 10.

Unrestricted Current Ratio

A council's unrestricted current ratio is an indicator of its financial position. For example, it indicates whether a council has adequate levels of working capital to satisfy its obligations in the short term. We examined the council's unrestricted current ratio. Box 4.3 explains this further.

Box 4.3 Unrestricted current ratio

The unrestricted current ratio (UCR) measures the adequacy of working capital and the ability of a council to satisfy its obligations in the short term. It does not include externally restricted activities such as water, sewer or specific grants and contributions.

$$Unrestricted\ current\ ratio = \frac{(Current\ assets) - (External\ restrictions)}{(Current\ liabilities) - (specific\ purpose\ liabilities)}$$

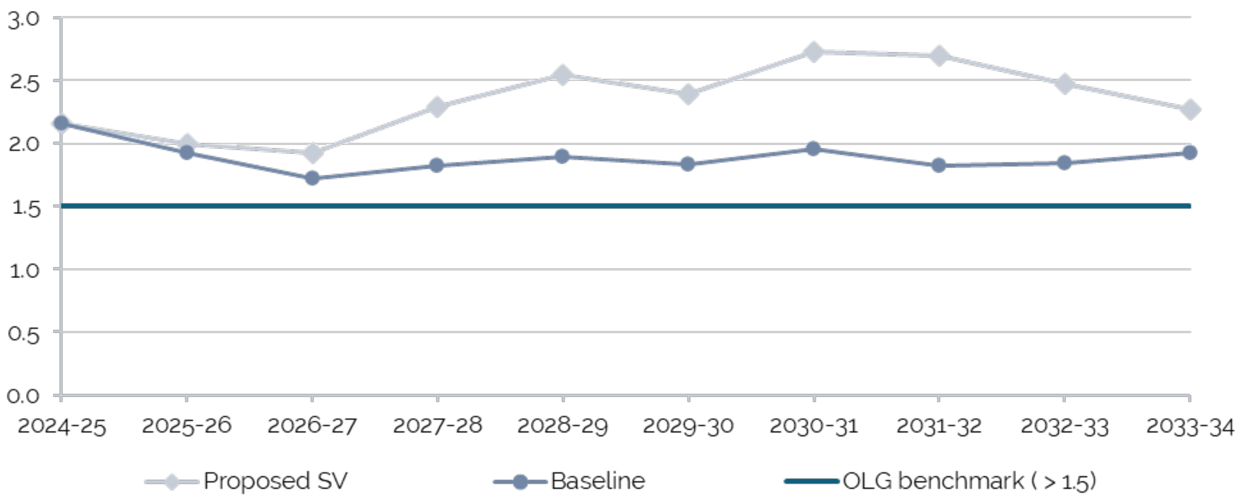
The unrestricted current ratio represents a council's ability to meet its short-term obligations as they fall due.

The OLG has set a benchmark for the ratio of greater than 1.5 times.

An unrestricted ratio of 4.45 means that a council has $4.45 in unrestricted current assets to meet $1.00 of unrestricted current liabilities. A ratio of 1.5 or less is considered unsatisfactory.

Source: Office of Local Government, *Performance Benchmarks*

Figure 4.3 The council's unrestricted current ratio



Source: Northern Beaches Council, Unrestricted Current Ratio and Reserves Working Paper and IPART Analysis

Table 4.2 The council's unrestricted current ratio under 2 scenarios

	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Proposed SV	2.00	1.93	2.29	2.55	2.39	2.73	2.70	2.48	2.27
Baseline	1.92	1.72	1.82	1.89	1.83	1.95	1.83	1.84	1.92

Source: Northern Beaches Council, Unrestricted Current Ratio and Reserves Working Paper and IPART Analysis

We calculated the council's unrestricted current ratio over the next 9 years and found:

- **Under Baseline Scenario**, the unrestricted current ratio remains stable at 1.92 but remains above the OLG benchmark of >1.5.
- **Under the Proposed SV Scenario**, the unrestricted current ratio increases from 2.0 to 2.27.

The council's unrestricted current ratio would remain above the OLG benchmark in both the base case and under the proposed SV. This demonstrates the council has enough cash on hand and short-term assets to meet its short-term liabilities. The proposed SV would allow the council to accrue a larger reserve, however this is not essential to the council's financial sustainability. We note the council's intention to build up reserves for future capital works and renewal projects. However, under the council's proposed 3-year SV, these reserves will be built up fairly rapidly.

Taking into account the council's OPR, net cash position and unrestricted current ratio, we found that the council does not demonstrate a financial need for the proposed 3-year SV. We note that in the Baseline Scenario:

- its average OPR over the next 5 years would be -0.7%, which shows its operating expenditure exceeds revenue
- its average net cash to income ratio over the next 5 years would be 11.5%, however over the next 9 years the average would decline to -18.9% with a sharp decline from 2029-30 onwards
- its average unrestricted current ratio over the next 5 years would be 1.9 remaining above the OLG benchmark.

This indicates the council demonstrates some financial need for the SV, as negative OPRs are not financially sustainable if the council is to deliver the services and infrastructure in its adopted plans and net cash would continue to decline over the next decade. However, the financial need for the full extent of the proposed SV has not been demonstrated. The OLG benchmark for the OPR is greater than zero, but the proposed SV is forecast to produce an OPR of 8.5% by year 3, resulting in an average surplus of $45.1 million each year.[34] The council has proposed an SV that results in these high OPRs in order to generate surplus funds, primarily for capital works and future environmental projects and to improve its capacity for natural disaster management. Under the council's proposed SV, the accumulation of reserves would occur at a rapid rate which the council has not demonstrated a financial need for, and which ratepayers have told us would have a significant impact on them in an economic environment of significant pressures on cost of living. Our decision to approve the first two years of the council's proposed SV would still allow the council to generate a surplus for these purposes, albeit at a slower rate of $23 million per year.[35]

4.3.3 Impact on infrastructure ratios

Managing infrastructure assets is an important council function. A council's ability to maintain and renew these assets as they depreciate is an indicator of its financial position and its capacity to provide services to the community. Northern Beaches Council has identified addressing an infrastructure backlog as one of the key reasons for its SV application. The council projects that it will need to spend $255 million over the next decade on asset maintenance and renewal backlog.[36]

To measure this indicator, we used information provided by the council to assess its infrastructure backlog, infrastructure renewals and asset maintenance ratios, and compared them to OLG's benchmarks:

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

See Box 4.4 for more information on these ratios.

Box 4.4 Infrastructure ratios for councils

Infrastructure backlog ratio

The infrastructure backlog ratio measures the council's backlog of assets against the total written down value of its infrastructure, and is defined as:

$$Infrastructure\ backlog\ ratio = \frac{Estimated\ cost\ to\ bring\ assets\ to\ a\ satisfactory\ standard}{Carrying\ value\ of\ infrastructure\ assets}$$

where the carrying value of infrastructure assets is the historical cost less accumulated depreciation.

OLG has set a benchmark for the ratio of less than 2%.

Infrastructure renewals ratio

The infrastructure renewals ratio assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. It is defined as:

$$Infrastructure\ renewals\ ratio = \frac{Infrastructure\ asset\ renewals}{Depreciation, amortisation\ and\ impairment}$$

The OLG has set a benchmark for the ratio of greater than 100%.

Asset maintenance ratio

Where relevant, we may also consider the council's asset maintenance ratio. This compares the actual versus required asset maintenance.

$$Asset\ maintenance\ ratio = \frac{Actual\ asset\ maintenance}{Required\ asset\ maintenance}$$

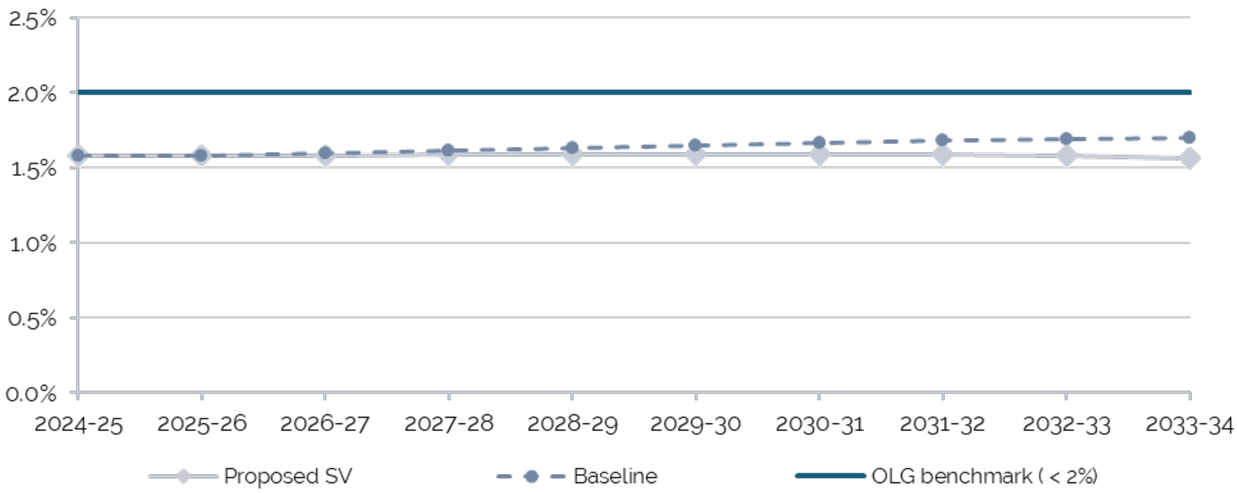
The OLG has set a benchmark for the ratio of greater than 100%.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

Impact on infrastructure backlog ratio

We found that over the next 5 years[d], the council's infrastructure backlog ratio would be 1.6% under the Baseline and Proposed SV Scenario. This meets the OLG benchmark of less than 2.0% for the next 9 years (Figure 4.3).

Figure 4.3 The council's infrastructure backlog ratio



Source: Northern Beaches Council, Application Part A.

Impact on infrastructure renewals ratio

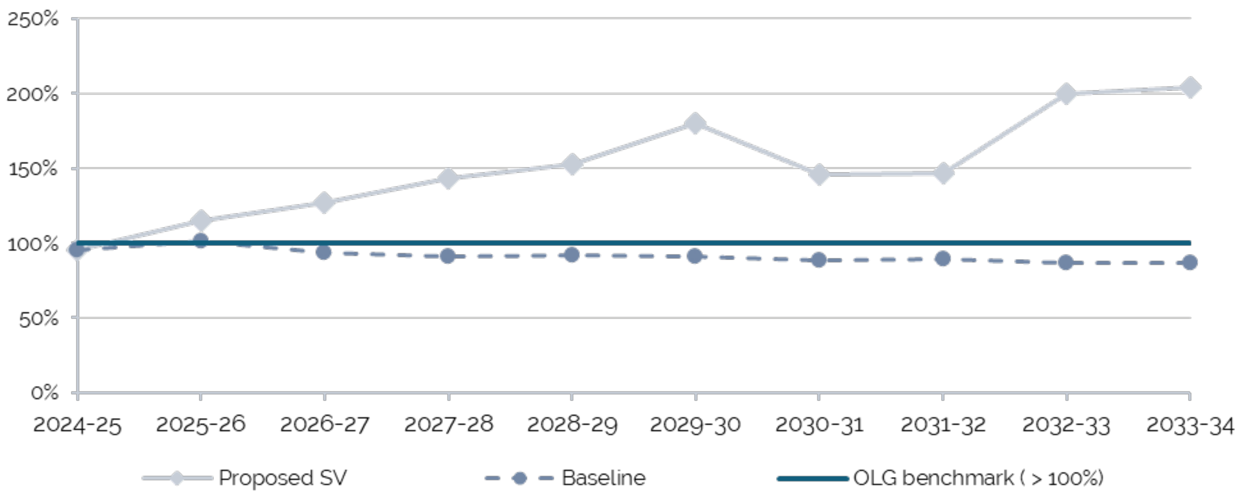
We found that over the next 5 years[e], the council's infrastructure renewal ratio would be:

- 93.7% under the Baseline Scenario
- 143.7% under the Proposed SV Scenario.

[e] We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

As Figure 4.4 shows, we found that without the proposed SV, the council's infrastructure renewals ratio would fall below the OLG benchmark of greater than 100% over the next 9 years. Under the SV the ratio would be significantly higher, averaging 157% over the next 9 years which is considerably higher than the OLG benchmark of greater than 100%.

Figure 4.4 The council's infrastructure renewal ratio (%)



Source: Northern Beaches Council, Application Part A.

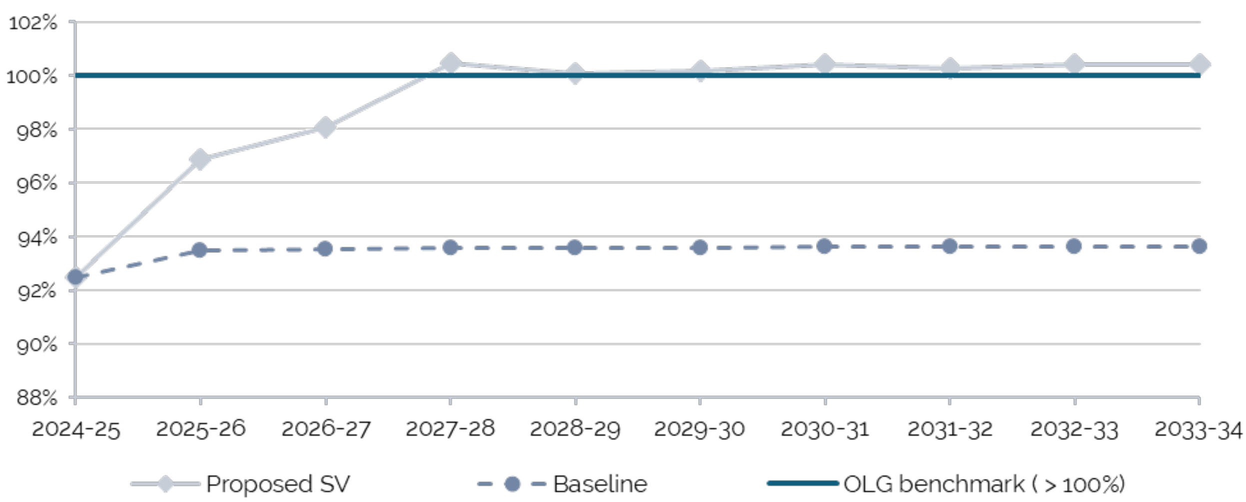
Impact on asset maintenance ratio

For the asset maintenance ratio, over the next 5 years:

- under the Baseline Scenario the average asset maintenance ratio would be 93.6%
- under the Proposed SV Scenario, the average asset maintenance ratio would be 99.1%

These both fall slightly below the OLG's benchmark of greater than 100% but is significantly improved under the SV scenario.

Figure 4.5 The council's asset maintenance ratio (%)



Source: Northern Beaches Council, Application Part A

Infrastructure funding and especially asset renewal is a core purpose of the council's proposed SV. We note that Northern Beaches Council's forecast infrastructure backlog is similar under both the Baseline and SV scenarios and meets the OLG benchmark. However, the infrastructure renewal ratio is significantly higher under the proposed SV and the asset maintenance ratio is improved.

Both the average infrastructure renewal ratio and the asset maintenance ratio improving under the proposal support the need for an SV. The average backlog ratio is unchanged under both scenarios and remains in-line with the OLG benchmark in both cases, which indicates that the purpose of the SV is not to address the infrastructure backlogs.

The council's OPR, net cash position and unrestricted current ratio do not fully demonstrate financial need for the 3-year proposed SV. The current slightly negative OPR and net cash ratio declining over the next 5 years indicates some financial need for the SV. In addition, the council identifies an infrastructure renewal and maintenance backlog which will require $255 million over the next decade to fund, which can be seen through the renewal and maintenance ratios significantly improving under the proposed SV.[37]

However, the council's high OPR, averaging around 8% in the years following the proposed SV, is also intended to allow the council to generate surpluses to fund future natural disasters and future environmental or capital projects. The council intends to generate a surplus $17 million each year by the end of the proposed 3-year SV for this purpose.[38] Our decision to approve the first two years of the council's proposed SV would still allow the council to generate a surplus for this purpose, albeit at a slower rate. Following the implementation of the approved SV, we estimate an average net operating surplus of $23 million per year over the next decade.[39] We consider that this will still allow the council to fund asset renewals and generate reserves in case of future natural disasters or to fund future environmental or capital projects.

4.4 Alternatives to the rate rise

We assessed whether, in establishing the need for the SV, the council's relevant IP&R documents canvassed alternatives to the rate rise to meet their financial needs.

We found that these documents show that the council adequately canvassed the alternatives. The Delivery Program notes the council should explore opportunities to raise additional income from increases in user fees and charges, investments and other opportunities.[40]

While the LTFP lists most of the same initiatives and explores the cost-saving and productivity improvements the council has implemented in recent years, neither the Delivery Program or the LTFP explicitly recommend channelling any additional funds to reduce the potential size of the SV or list them as an alternative. These initiatives include:

- increased user charges from $98.5 million in 2023-24 to $101.9 million in 2024-25[41]
- seeking operating grants totalling $22.5 million in 2024-25[42]
- productivity improvements and cost-savings measures, with realised savings of $29.5 million a year (discussed further in Criterion 5)

- exploring multiple options for the SV with varying increases as well as a baseline scenario involving service cuts
- the sale of under-utilised assets worth around $10 million.[43]

The council also noted financial setbacks such as a fall in developer contributions from $44 million in 2021-22 to $32.3 million in 2024-25 and a decline in investment income from $10.6 million in 2023-24 to $8.4 million in 2024-25.[44] The council deemed these revenue sources insufficient to meet its financial needs and the future desires of the community but acknowledge an ongoing effort to diversify revenue sources. We consider the council's pursuit of alternate revenue sources to be adequate.

5 Our assessment of OLG Criterion 2 - Community awareness

OLG Criterion 2 requires the council to provide evidence that the community is aware of the need for and extent of the proposed rate increase. It requires the council to:

- communicate the full cumulative increase of the proposed SV in percentage terms and in dollar terms for the average ratepayer, by rating category
- outline its ongoing efficiency measures and performance
- use a variety of engagement methods to ensure community awareness and provide opportunities for community input.

The criterion does not require the council to demonstrate community support for the SV application.

Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 2, we considered stakeholder comments about community awareness that we received through our feedback form and submissions. We also analysed the council's community engagement practices on the proposed SV.

We found that the council met this criterion. While we acknowledge the concerns raised by the community around the council's engagement, including that the council did not opt for the base case or rate peg only option as preferred by many in the community, we consider the council has adequately consulted its community as required by the OLG guidelines.

The council satisfactorily engaged with and consulted its community and provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods, provided sufficient opportunities for the community to provide feedback, and considered this feedback in preparing its SV application.

The sections below discuss our assessment of Criterion 2 in more detail.

5.1 Stakeholder comments on community awareness

In submissions to IPART, some stakeholders raised concerns related to the council's community consultation, including that the council:

- ignored community feedback by pursuing an SV, despite a 51% majority in consultation voting for the base case
- adopted the proposed SV option despite only 11% of consulted ratepayers voting in favour
- overrepresented support for a rates increase by combining the percentages that supported different SV options into a 49% support for an SV figure
- was not transparent about what the accumulated budget surpluses would be spent on

- made engagement difficult by conducting its consultation over Christmas and New Year holiday period.

Further, in our feedback form, we asked respondents how much they agree or disagree with 4 statements about the community's awareness and understanding of the rate increase proposed by council.

We received 2,683 responses. There were mixed views about whether the council had adequately communicated and provided opportunity for feedback, but the majority of respondents did not agree that the council considered the community feedback in its decision making. The full results are presented in Figure C.2 in Appendix C.

We considered these concerns, taking account all the information available to us. Our assessment is discussed below.

5.2 Our assessment of the council's engagement and consultation

To assess the effectiveness of the council's community engagement and consultation on the proposed SV, we considered whether:

- the information provided to ratepayers was generally sufficient and clear
- the variety of engagement methods used was effective
- the process used to consult the community provided timely opportunities for ratepayers to be informed and provide feedback on the proposed SV
- the outcomes from the consultation were considered in preparing the SV application.

5.2.1 Information provided to ratepayers

We found that the information the council provided to ratepayers about the proposed SV was sufficient to create awareness of the proposed SV.

The council's consultation materials are clear and set out:

- the need for the SV
- the full cumulative percentage increase of the proposed SV and the projected average rates in dollar terms for the residential and business categories. We note the council did not do this for the farmland category but there are only 7 ratepayers in this category and the percentage increase is the same as for residential and business ratepayers.
- that the expected income from the SV would generate a potential surplus averaging $33.5 million in the 10 years to 2033-34
- what the additional income from the proposed SV would fund, including:
  - addressing a widening infrastructure asset renewal and maintenance gap
  - continuing to fund existing services
  - supporting programs designed to mitigate the risk and damage of natural disasters
  - accumulating funds for major projects in the future, such as a renewal of the Warringah Aquatic Centre

- how to find out more information
- how to provide feedback.

The council also set out its ongoing and planned efficiency measures in its publicly available *Productivity Journey and Improvement Plan 2024*.

5.2.2 Engagement methods used

We found the council used an appropriate variety of engagement methods to promote awareness of its proposed rates increase and provided opportunities for ratepayers to provide feedback.

Throughout its consultation period, its engagement activities included:

- letters to ratepayers
- a dedicated SV webpage, launched in November 2024, which included an online survey and portal to make submissions
- an SV rates calculator on the council's website
- 2 webinar conferences
- information stations in high traffic areas
- social media posts and reels
- local newspaper advertisements (e.g. via printed inserts in local newspapers).
- digital ads.

5.2.3 Process for community consultation

We found the process the council used to engage with and consult the community about the proposed SV was effective. The council consulted with the community from 18 November 2024 to 12 January 2025. This period did cover Christmas and New Years, which may have presented some obstacles to the community. However, the timeframe spanned almost two months, and a wide variety of means were used to engage the community. We therefore consider the consultation period provided enough opportunity for ratepayers to be informed and provide feedback on the proposal.

5.2.4 Council consideration of outcomes of community consultation

As noted above, OLG Criterion 2 does not require the council to demonstrate community support for the proposed special variation. However, it does require the council to consider the results of community consultation in preparing its application.

We found that Northern Beaches Council did consider these results, which were set out in the Community Consultation Report and presented to the council at its meeting of 28 January 2025. The council consulted the community on 4 options. These included:

Option 1 Base Case – This option involved no SV and would require cuts to services, with rate increases based only on the rate peg. This would result in a 10.7% rate increase over three years. This received 51% support from respondents to the council's survey.

Option 2 Maintain Services – This option proposed a 31.1% cumulative rate increase over three years and received 32% support from respondents to the council's survey.

Option 3 Improve Services – This option proposed a 39.6% cumulative rate increase over three years and received 11% support from respondents to the council's survey. The council adopted this scenario as its SV proposal.

Option 4 Increase Services – This option proposed a 46% cumulative increase over three years and received 6% support from respondents to the council's survey.

The council had initially considered Option 4 the most suitable for the delivery of its long-term financial goals. This would have resulted in a cumulative increase of 46% over 3 years. Following the delivery of the Community Consultation Report and the advice of staff, the council adopted Option 3, a cumulative 39.6% increase over 3 years.[45] The council minutes and agenda note that this was decided on after considering the feedback from the community and the cost-of-living pressures currently being faced by residents.[46]

Northern Beaches Council engaged Micromex to prepare a Community Satisfaction survey which sampled a cross-section of 606 residents in August 2024. This survey found that 60% of residents were supportive or somewhat supportive of paying higher rates for improved infrastructure and services.[47] The survey also gauged the respondent's feelings about funding specific services and found that 77% were supportive or somewhat supportive of paying more for environmental management services, with 73% supportive of paying more for improved public facilities and 69% supportive of paying more for better infrastructure.[48] However, we note this survey was not directly related to the SV options and did not present respondents with the amounts rates would need to increase by to improve or expand services and infrastructure.

The council released its Community Engagement Outcomes Report in January 2025. This report indicates that during the consultation period:

- the council received 5,584 survey submissions through the "Your Say" portal or in hard copy
- the council received 804 written or emailed submissions
- its "Your Say" page received 36,800 visits
- its Rate Calculator was used 13,300 times.[49]

The report assessed that the community's response to an SV was mostly negative, with 51% of stakeholders that completed the council's survey voting for the base case scenario. The council's adopted SV Option received 11% support. However, a significant number of respondents were willing to pay higher rates to improve, maintain or expand services to some extent.

The report found that of the 5,500 participants in the council's online survey:[50]

- a slight majority (51%) chose Option 1, which would involve cutting services and only raising rates by the rate peg amount
- almost half (49%) supported one of the SV options although we note that an alternative SV option with a lower 31.1% increase was considerably more popular among respondents. The breakdown of the support for the different SV options was Option 2 Maintain services (32%), Option 3 Improve services (11%) and Option 4 Increase services (6%).
- most respondents wanted to maintain services with no cuts (72%) while a smaller majority wanted to reduce services (57%).[51]

Of those who opposed the SV, feedback included:

- the SV increase would be too high and unaffordable in an environment of high cost of living pressures
- the council should stick to absolute essentials, like maintaining footpaths and parks
- the council should seek alternate income streams and cut costs
- rather than the SV, alternatives should be considered, including reducing services until the economic climate improves, increasing productivity and efficiency and improving financial management.[52]

Of those who supported the SV, some comments included:

- the SV is required to maintain services at levels the community is currently receiving
- spending on local infrastructure is a long-term investment for the community[53]

In response to the outcomes of community consultation, the council resolved to select Option 3 instead of the originally planned Option 4 and applied for a cumulative increase to rates of 39.6% over the next 3 years, instead of the planned 46% over the same period.[54]

6 Our assessment of OLG Criterion 3 - Impact on ratepayers

OLG Criterion 3 requires the council to show that the impact on ratepayers is reasonable considering current rates, the community's capacity to pay and the proposed purpose of the special variation.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments on the proposed SV's impact on ratepayers received through our feedback form and submissions and analysed the council's assessment of the impact of the SV on ratepayers. We also undertook our own analysis to assess whether this impact is reasonable. We have opted to focus on the impact on residential and business ratepayers as they make up the bulk of ratepayers in the LGA, which has no mining ratepayers and only 7 farmland properties out of over 104,000 rateable properties in the Northern Beaches Council area.

We found that the council met Criterion 3. While we acknowledge the concerns that we heard from community members around the affordability of the rate rise, particularly given current cost of living pressures, we found that the impact of the proposed SV on ratepayers is generally reasonable. The council's assessment of this impact concluded the community has sufficient capacity to pay the proposed rates increases, including in its less well-off areas, provided an appropriate hardship policy was in place to assist vulnerable ratepayers. Our own analysis found that with the SV, the council's average residential and business rates would generally be slightly higher than the averages for comparable councils based on locality, SEIFA rank and OLG group. The population of its LGA has higher levels of socio-economic advantage as measured by SEIFA rank and higher median household incomes compared to most other council areas. The council has a hardship policy and has programs in place to waive charges and fees under certain circumstances.

The sections below discuss our assessment of OLG Criterion 3 in more detail.

6.1 Impact of the proposed SV on average rates

The council calculated the average impact on ratepayers. Table 6.1 sets out its expected increase in average rates in each ratepayer category under the proposed 3-year permanent SV. It shows that from 2025-26 to 2027-28:

- the average residential rate would increase by $673 or 39.6% in total
- the average business rate would increase by $1,738 or 39.6% in total

Table 6.1 Impact of the proposed special variation on average rates

	2024-25 (Current)	2025-26	2026-27	2027-28	Cumulative increase
Residential average rates ($)	1,698	1,904	2,127	2,371	
$ increase		205	223	245	673
% increase		12.1	11.7	11.5	39.6
Business average rates ($)	4,386	4,917	5,492	6,124	
$ increase		531	575	632	1,738
% increase		12.1	11.7	11.5	39.6

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: Northern Beaches Council, Application Part A and IPART calculations.

6.2 Stakeholder comments on the impact on ratepayers

Many submissions we received raised concerns about the impact of the proposed SV on the affordability of rates, particularly for those experiencing financial hardship. We note that there are currently around 96,000 residential ratepayers in the council area.

For example, some submitters noted:

- the SV would have a detrimental financial impact on ratepayers in the context of current pressures on cost of living, particularly high inflation on food and other necessities
- that inflation is already placing significant pressure on local businesses, which would be exacerbated by the SV
- one submission highlighted that a disproportionately high number of residents of the LGA are over 65 and largely on fixed incomes (18% for Northern Beaches vs 15% for Greater Sydney)
- that the area's high land values do not reflect that many residents (particularly elderly or those needing medical assistance) are 'asset rich but cash poor'
- that young families in the area are paying disproportionately higher rates on mortgages when factoring in the price of property in the LGA
- some submissions highlighted higher rates in their area vs other parts of the LGA, Manly was most often noted.

In our feedback form, we asked respondents how much they agree or disagree with 4 statements about the affordability of the rate increase proposed by the council.

We received 2,683 responses. Around 96% of these responses did not agree that the rates increase was affordable (disagreed or strongly disagreed). A similar proportion did not agree that the council's application considers financial constraints of ratepayers, considers different options to reduce the financial impact on ratepayers, or balances the community's need for services and its impact on ratepayers. The full results are presented in Figure C.3 in Appendix C.

We have considered these concerns as part of our assessment of this criterion, alongside other available information. We acknowledge that ratepayers are experiencing cost-of-living pressures, and the rate increases associated with the SV will add to those.

6.3 The council's assessment of the proposed SV's impact on ratepayers

The criterion requires that the Delivery Program and LTFP show the impact of any rate rises on the community, demonstrate the council's consideration of the community's capacity to pay rates, and establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

6.3.1 The council's IP&R documents

We found that the council's Delivery Program 2024-28 and LTFP clearly communicate the percentage increase in rates and the increases in dollar terms over the course of the SV from 2025-26 to 2027-28.

6.3.2 The council's consideration of capacity to pay

The council's capacity to pay report, prepared by its consultant Morrison Low, provides an analysis and evaluation of relative wealth and financial capacity to pay the proposed rates increase in the Northern Beaches local government area (LGA). It also examines the financial vulnerability and exposure of different community groups within the LGA.

The report concludes:

- the LGA has a strong capacity to pay for any of the proposed rate increase options
- the LGA has high socio-economic status, high levels of home ownership and low levels of outstanding rates
- 93% of LGAs in Australia are more economically disadvantaged than the Northern Beaches LGA
- the North-East, South, West and North-West areas of the LGA have the highest property values and are ranked in the top 5% of areas in Australia for socio-economic advantage
- the Central-East region of the LGA has the least capacity to pay and has a disproportionately high number of renters. The region is still considered to have adequate capacity to absorb the increases
- renters in the LGA have slightly higher levels of rental stress than Greater Sydney (37% vs 35%)
- business rates are currently the third lowest among comparable councils
- the increase in business rates of between $854 to $1,478 over three years is considered manageable in the context of the area's continual economic growth
- the council should provide appropriate support for vulnerable ratepayers through its Hardship policy.
- there is some willingness to pay among the community: in Micromex's August 2024 survey, 60% of respondents were somewhat supportive of increasing rates to maintain and improve services and infrastructure.

6.4 Our analysis of the proposed SV's impact on ratepayers

To assess the reasonableness of the impact on ratepayers, we considered:

- how the council's rates have changed over time
- how current and proposed rates compare to councils in similar circumstances
- the community's capacity to pay based on socio-economic indicators, historical hardship applications and outstanding rates data
- what hardship provisions the council has in place to mitigate the impact.

We found that the impact on ratepayers is generally reasonable. Current average rates for the council are slightly higher when compared to similar councils. The population of the Northern Beaches Council area is generally above comparable councils in terms of level of socio-economic advantage, with a SEIFA rank of 119 which places it in the top 10 of 128 councils. Over 67% of Northern Beaches households are in the top two income quartiles, compared to 55% for the rest of Greater Sydney.

Without the approved SV, the council would maintain a deficit over the next 10 years, even with cuts to services and the implementation of efficiency improvements. The council has a Debt Recovery and Financial Hardship Policy in place to protect vulnerable ratepayers.

6.4.1 How the council's rates have changed over time

Over the past 5 years, the average annual growth in the council's residential rates has been broadly in line with the average rate peg. As Table 6.2 shows, residential rates have increased at an annual average rate of 3.1%, compared to the average rate peg across all councils of 2.9% over the same period.

Table 6.2 Historical average rates in Northern Beaches Council ($nominal)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Average annual growth (%)
Residential	1,458	1,506	1,523	1,560	1,617	1,698	3.1
Business	3,836	3,617	3,884	3,946	4,047	4,386	2.7
Farmland	2,000	2,143	2,143	2,286	2,286	2,451	4.2

Source: OLG, Time Series Data 2023-24, Northern Beaches Council, Application Part A, IPART calculations.

6.4.2 How the council's rates compare to other councils

We compared the council's current average rates, and what they would be with the proposed SV, with those of comparable councils. We then considered these findings together with the socio-economic comparisons discussed in section 6.4.3 and the available hardship provisions discussed in section 6.4.4 to help us assess the reasonableness of the proposed rate increase. Box 6.1 outlines how we selected the comparable councils for this analysis.

Box 6.1 Comparable councils

In our analysis of rate level and capacity to pay indicators, we have compared Northern Beaches Council to other councils that are comparable to it based on their locality, SEIFA rank, and OLG group.

Comparable councils based on locality

Comparable councils based on locality includes neighbouring and nearby local government areas (LGAs). These council areas are not necessarily similar, but as ratepayers are more likely to be familiar with them and the differing service levels they provide, this comparison may help them assess their own rates level.

The councils we used for this comparison are Mosman, North Sydney, Willoughby, Ku-ring-gai and Hornsby. These councils are geographically close to Northern Beaches Council, but do not necessarily share a common border.

Comparable council based on SEIFA rank

Comparable councils based on SEIFA rank means councils whose LGAs have similar levels of socio-economic advantage and disadvantage, as measured by Socio-Economic Indexes for Areas (SEIFA). SEIFA is a series of indexes that rank Australian LGAs according to relative socio-economic factors. It is developed by the Australian Bureau of Statistics using the latest census results (currently 2021). We used the 'Index of Relative Socio-economic Advantage and Disadvantage' which includes 23 variables covering income, household make-up, housing, education levels and employment.

Northern Beaches has a SEIFA rank of 119 out of 128 NSW councils. In general, a lower SEIFA rank indicates a higher level of relative disadvantage.

We compared the council's average rates with those of other metropolitan councils with a similar SEIFA rank. The 4 councils with the closest SEIFA rank are Sydney, Hills Shire, Inner West and Canada Bay.

Comparable councils based on OLG group

Comparable councils based on OLG group means the other councils in the same OLG group as Northern Beaches Council.

The OLG sorts councils into groups for comparison purposes. These groups are based on broad measures such as their LGAs having similar levels of development (metropolitan, regional, rural), and populations. Councils in each group may have some similarities in terms of their service levels and costs, but there may also be some broad differences between them.

Box 6.1 Comparable councils

Northern Beaches Council is in OLG Group 3, which comprises councils that are part of a metropolitan area which is part of an urban centre and has over 70,000 people. Group 3 includes 18 councils in total, including Randwick, Sutherland, Bayside and Sydney councils.[55]

Our comparison of the council's average residential rates is set out in Table 6.3. It shows that:

- In 2024-25, its average residential rates are slightly higher than the averages for comparable councils based on locality and higher than the average for comparable councils based on SEIFA rank and OLG group.
- In the final year of the proposed SV period (2027-28), these rates would remain substantially higher than comparable councils based on locality and OLG group. They would also remain higher than the average for comparable councils based on SEIFA rank.

Our comparison of the council's average business and farmland rates is set out in Table 6.4. It shows that:

- Its current average business rates are lower than the average for comparable councils based on locality, and lower than the averages for comparable councils based on SEIFA rank and OLG group. In 2027-28 these rates would remain lower than the average for comparable councils based on locality and lower than the averages for other comparable councils.

Table 6.3 Comparison of the council's average residential rates under the proposed SV (Average residential rate ($))

Council	2024-25 (Current)	2025-26	2026-27	2027-28
Northern Beaches (OLG Group 3)	**1,698**	**1,904**	**2,127**	**2,371**
Comparable based on locality				
Mosman	1,796	1,886	1,913	1,961
Hornsby	1,651	1,758	1,855	1,901
North Sydney	1,095	1,139	1,167	1,196
Willoughby	1,350	1,401	1,436	1,472
Ku-ring-gai	1,721	1,826	1,871	1,918
Average	**1,512**	**1,594**	1,649	1,690
Comparable based on SEIFA rank				
Sydney	909	946	970	994
Hills Shire	1,300	1,381	1,415	1,451
Inner West	1,422	1,475	1,512	1,550
Canada Bay	1,454	1,522	1,592	1,632
Average	**1,199**	**1,255**	**1,290**	**1,322**
Comparable based on OLG Group	**1,303**	**1,378**	**1,442**	**1,468**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.

b. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.
c. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2023-24, 2024-25, 2025-26 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2025-26 for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, Time Series Data 2023-24; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations.

Table 6.4 Comparison of the council's average business under the proposed SV ($)

Council	2024-25 (Current)	2025-26	2026-27	2027-28
Northern Beaches (OLG Group 3)	**4,386**	**4,917**	**5,492**	**6,124**
Comparable based on locality				
Mosman	4,024	4,181	4,286	4,393
Hornsby	4,136	4,405	4,647	4,763
North Sydney	7,017	7,297	7,480	7,667
Willoughby	8,811	9,146	9,375	9,609
Ku-ring-gai	4,981	5,284	5,416	5,552
Average	**6,428**	**6,717**	**6,917**	**7,090**
Comparable based on SEIFA rank				
Sydney	14,438	15,030	15,405	15,790
Hills Shire	2,574	2,734	2,802	2,872
Inner West	7,430	7,705	7,897	8,095
Canada Bay	4,618	4,835	5,056	5,183
Average	**10,882**	**11,332**	**11,621**	**11,912**
Comparable based on OLG group (average)	7,729	8,211	8,625	8,818

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.
c. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2025-26 for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, Time Series Data 2023-24; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations.

6.4.3 The community's capacity to pay based on socio-economic indicators

To assess the community's capacity to pay the council's proposed rates, we considered a range of indicators of socio-economic status and levels of vulnerability in the community, which is outlined in Box 6.2. We considered these indicators together with the average rate levels discussed in above in section 6.4.2, and the hardship assistance available discussed in 6.4.4.

This assessment focussed on residential rates, as residential ratepayers represent the majority of ratepayers.[f]

[f] Note that our assessment looks at the community as a whole and does not distinguish between those that directly pay rates and those that may indirectly be impacted.

Box 6.2 How we assessed capacity to pay

To help us understand the impact of the proposed SV on residential ratepayers, we compared selected socio-economic indicators for the council's community and the comparable councils' communities, using data from the 2021 census. We also considered the council's historical hardship and outstanding rates data. These measures provide an indication of the community's ability to pay additional rates and are useful to consider together with the average rates comparisons.

Socio-economic indicators

We considered:

- The median income levels, and the ratio of average residential rates to median household income, which are indicators of capacity to absorb cost increases.
- The proportion of people on selected Government payments[g], which could be an indicator of levels of vulnerability as recipients may generally be on lower and fixed incomes.
- The level of outright home ownership, where a higher level may indicate that a community has more capacity to pay (as more households do not need to pay mortgage or rent payments).
- The proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs, which can be an indicator of households experiencing cost-of-living pressures. However, putting 30% or more of a household's imputed income towards housing may not always be a sign of financial stress. A household may choose to make more mortgage repayments or reside in a more expensive area and have a sufficiently high income.

We also note that the cost of living has increased since this data was collected in the 2021 census.

Hardship applications and outstanding rates

We collected 5 years of historical data related to a community's ability to pay rates to understand trends in the area. This included:

- how many applications for hardship assistance were made to the council
- how many ratepayers were on hardship arrangements
- the value of rates ($) that were outstanding as at 30 June.

We note these indicators can apply to very small proportions of the population.

[g] These are the Age Pension, Disability Support Pension and JobSeeker Payment.

Table 6.5 below shows that, Northern Beaches Council's area is relatively advantaged in socio-economic terms, with a high median household income. In particular:

- Median income in Northern Beaches is comparable to other LGAs based on locality. It is higher than average when compared to council LGAs of similar SEIFA rank and in the same OLG Group.
- The typical household in the Northern Beaches LGA spends around 1.3% of its household income on residential rates. This is slightly more than average in comparable LGAs based on locality (1.0%), comparable LGAs based on SEIFA rank (1.0%) and OLG Group (1.2%). While we note this is higher than most comparable LGAs showing a greater share of household income is being spent on rates, it is still a small percentage.
- 3.8% of the council's rates were outstanding, which is lower than the average for other comparable councils based on SEIFA and OLG Group and within the OLG benchmark of 5%.
- 16% of households in the Northern Beaches LGA meet the definition of housing cost stress. This is in-line with the average in comparable areas based on locality (16.3%), but less than average in comparable areas based on SEIFA (19.9%) and OLG Group (20.2%)
- 34.8% of dwellings in the Northern Beaches LGA are owned outright, which is in-line with other comparable local LGAs and higher than the average for comparable LGAs based on SEIFA (25.3%) and OLG Group (27.9%)
- 9.0% of the population is in receipt of select Government payments, this is above average for comparable LGAs (7.4%), in-line with LGAs of comparable SEIFA rank (9.2%) and below the average for LGAs in the same OLG Group (12.6%). While this is slightly higher than the average of comparable LGAs, it is still only a small percentage.

Table 6.5 Comparison of the council's socio-economic indicators

	Median annual household income ($)[a]	Current average residential rates to median household income ratio (%)[b]	Outstanding rates and annual charges ratio (%)[c]	Proportion of population in receipt of select Government payments (%)[d]	Proportion of households that pay more than 30% of income towards housing costs[e]	Dwelling owned outright (%)[f]
Northern Beaches (OLG Group 3)	134,784	1.3	3.8	9.0	16.0%	34.8
Comparable councils based on locality						
Mosman	150,384	1.1	3.2	5.6	17.4%	38.3
Hornsby	125,684	1.2	2.4	9.6	14.5%	33.9
North Sydney	131,248	0.8	3.7	6.2	17.8%	25.5
Willoughby	132,912	0.9	2.7	6.8	18.8%	31.7
Ku-ring-gai	157,976	1.0	5.2	6.0	15.4%	40.2
Average	**139,641**	**1.0**	**3.4**	**7.4**	**16.3%**	**33.9**
Comparable councils based on SEIFA rank						

	Median annual household income ($)[a]	Current average residential rates to median household income ratio (%)[b]	Outstanding rates and annual charges ratio (%)[c]	Proportion of population in receipt of select Government payments (%)[d]	Proportion of households that pay more than 30% of income towards housing costs[e]	Dwelling owned outright (%)[f]
Sydney	115,024	0.8	2.2	8.9	25.1%	14.1
Hills Shire	147,212	0.8	6.4	7.5	14.8%	31.0
Inner West	121,680	1.1	7.5	11.4	17.8%	25.0
Canada Bay	123,292	1.0	4.0	9.6	18.5%	31.1
Average	**126,802**	**1.0**	**5.0**	**9.2**	**19.9%**	**25.3**
Comparable councils based on OLG group (average)	**112,947**	**1.2**	**5.4**	**12.6**	**19.5%**	**34.3**

a. Median annual household income is based on 2021 ABS Census data.
b. The 2024-25 average rates for comparable councils are calculated based on the OLG's time series data as at 2023-24 (latest available data) escalated by a Council's 2024-25 rate peg or approved SV, as relevant.
c. The Outstanding rates ratio (%) is derived from the OLG's Rates & Annual Charges Outstanding Percentage for the General Fund as at 2023-24 (latest available data). The formula is 'rates and annual charges outstanding ($) *divided by* 'rates and annual charges collectible' ($).
d. Proportion of population in receipt of select Government payments (%) is based on the total number of Age Pension, Disability Support Pension and the JobSeeker Payments *divided by* the estimated resident population from the 2021 ABS Data by Region.
e. Proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs payments is calculated by the following formula = [households where mortgage repayments are more than 30% of the imputed household income (no.) + households where rent repayments are more than 30% of the imputed household income (no.)] / total occupied private dwellings (no.). These measures are from the 2021 ABS Data by Region.
f. Dwelling owned outright (%) is from the 2021 ABS Data by Region.

Source: OLG, Time Series Data 2023-24; ABS, Socio-economic Indexes for Areas (SEIFA) 2021, March 2023; ABS, 2021 Data by Region, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

In addition to these socio-economic indicators, we considered historical data on the council's number of overdue rates notices and the number of ratepayers applying for hardship provisions. Recent trends can give an indication of ratepayers' ability to pay current rates levels and the potential impact of other recent cost increases. We note that these remain at a very small proportion of all ratepayers.

Overdue rates notices decreased slightly from 12.2% in 2019-20 to 12% in 2020-21 before steadily increasing over the next few years to 12.4% in 2023-24.[h] However, the council received very few hardship applications – only 16 in the last 4 years and none prior to that. All ratepayers who applied for hardship applications in the last 4 years were accepted, with the total in 2023-24 being 22.

[h] This is different to the outstanding rates and annual charges ratio (%) mentioned in Table 6.5, which is based on dollar values (see note c of Table 6.5). The overdue rates percentage is calculated by dividing the total number of overdue rates (count) over the total number of issued rates (count).

Box 6.3 Rates and annual charges outstanding ratio

The rates and annual charges outstanding ratio measures the impact of uncollected rates and annual charges on a council's liquidity and the adequacy of its debt recovery effort. This is defined as:

$$Rates\ and\ annual\ charges\ oustanding\ ratio = \frac{Rates\ and\ annual\ charges\ outstanding}{Rates\ and\ annual\ charges\ collectible}$$

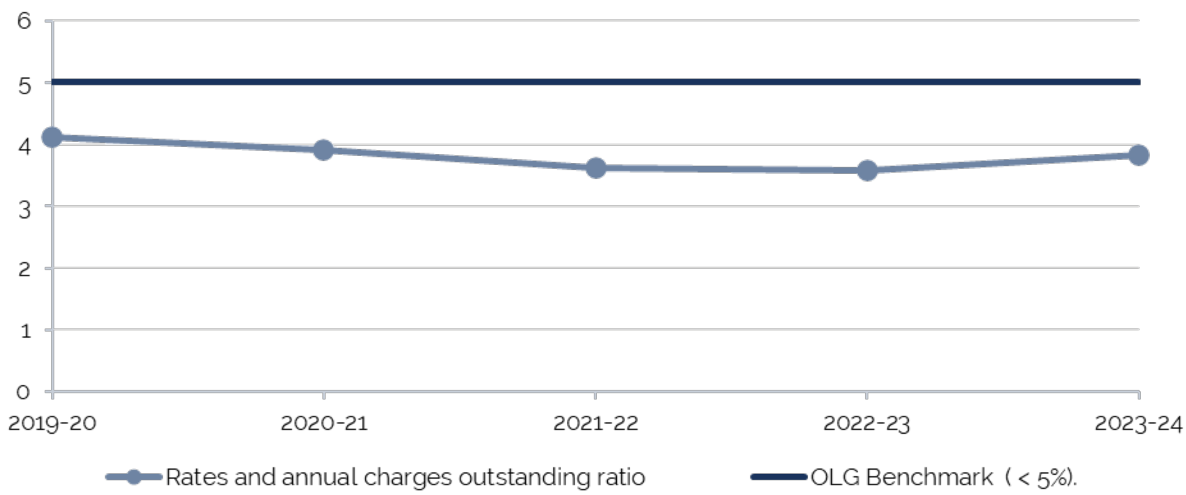
The OLG has set a benchmark for the ratio of less than 5% for metropolitan councils and less than 10% for regional and rural councils.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

We also considered the council's rates and annual charges outstanding ratio. While a rates and annual charges outstanding ratio above the OLG benchmark can be a reflection of how effectively the council has managed its debt recovery efforts, it can also be an indication that a greater number of ratepayers have been unable to pay their rates on time.

As Table 6.5 shows, the average rates and annual charges outstanding ratio across 2019-20 to 2023-24 is 3.6%. This meets the OLG benchmark of less than 5% for metropolitan councils.

Figure 6.1 The council's rates and annual charges outstanding ratio (%)



Source: Northern Beaches Council, Application Part A.

6.4.4 The council's hardship policy and availability of concessions

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. We are satisfied that the council has a hardship policy in place to assist vulnerable ratepayers, and it has appropriate strategies to make its community aware of how to access this. The council has two hardship policies, one for any ratepayer suffering financial hardship and one for pensioners.

The council's hardship policies provide assistance such as:

- payment extensions
- instalment payment plans
- reduction in rates
- waivers for certain charges, such as waste disposal
- a statutory concession to pensioners for half of all ordinary rates and charges for domestic waste management, up to $250
- a further concession to pensioners of up to $150 for performing volunteer work.

The council told us that its rates notices outline how to access the hardship policy. Information on the policy and how to apply is available on the council's website.

7 Our assessment of OLG Criterion 4 - IP&R documents

OLG Criterion 4 requires the council to exhibit, approve and adopt the relevant Integrated Planning and Reporting (IP&R) documents before applying for the proposed SV.

Note: See Appendix A for the full criterion.

To assess whether the council met Criterion 4, we checked the information provided by the council.

We found that it met the criterion. It exhibited (where required), approved and adopted its IP&R documentation appropriately.

The relevant IP&R documents are described in Box 7.1.

The adopted LTFP is available on the council's website, along with other IP&R documents.

The council:

- exhibited its current Community Strategic Plan from 29 April to 29 May 2022, considered 190 submissions on this plan and adopted it on 1 July 2022
- exhibited its current Delivery Program from 3 May to 4 June 2024, received 137 submissions on this document and adopted it on 25 June 2024
- exhibited its current LTFP from 3 May to 4 June 2024 and adopted it on 27 June 2024
- adopted its Asset Management Strategy on 11 June 2024
- submitted its SV application on 3 February 2025.

Box 7.1 Integrated Planning & Reporting documents

The IP&R framework allows councils and the community to engage in important discussions about service levels and funding priorities and to plan for a sustainable future. This framework underpins decisions on the revenue required by each council to meet the community's needs.

The relevant documents are the Community Strategic Plan, Delivery Program, Long-Term Financial Plan (LTFP), and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended) public exhibition for 28 days (and re-exhibition if further amended). Councils are also expected to post its LTFP on its website as per OLG guidelines.

Source: Office of Local Government Integrated Planning and Reporting Guidelines

8 Our assessment of OLG Criterion 5 - Productivity and cost containment strategies

OLG Criterion 5 requires councils to explain and quantify the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the years of the proposed SV.

Councils should present their productivity improvements and cost containing strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of those measures has been incorporated in the council's Long Term Financial Plan.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholders' comments on the council's productivity and cost containment performance that we received through our feedback form and submissions. We also analysed information provided by the council on its productivity and cost containment performance and examined some key indicators of the council's efficiency.

We found that the council met this criterion. The council has demonstrated implementation of significant cost saving and efficiency initiatives in the past and has an adequate approach to ongoing strategies to reduce costs and improve efficiency.

The council listed and quantified productivity improvement and cost containment initiatives that saved it approximately $12.8 million per year over the last four years.[56] It identified total savings averaging $29.5 million a year which have occurred since the 2016 amalgamation of the former councils into Northern Beaches Council.[57] The council further notes that around $6 million will be saved as a result of cost cutting and efficiency improvement measures over the next three years, as well as an additional $10 million that will be raised through asset sales.[58] However, the council's Productivity Journey and Improvement Plan 2024 could have more clearly quantified its future efficiency and savings strategies for the duration of the proposed SV.

The sections below discuss our assessment of Criterion 5 in more detail.

8.1 Stakeholder comments on productivity and cost containment

Many submissions to IPART expressed that:

- the council has excessive numbers of staff, particularly those in executive and managerial roles with 110 full-time managerial staff costing roughly $23 million annually
- executive and managerial pay, especially that of the CEO, is too high with multiple submissions noting the CEO's pay is higher than the NSW Premier
- many submissions suggested that staff and/or executive pay levels should be frozen or reduced before asking residents to pay more in the context of a cost-of-living pressures

- the council should reduce its funding for non-core functions, with submissions noting things like food markets and community events as unnecessary
- the council wastes money on unnecessary infrastructure projects, such as streetscape alterations to Oliver Street in Freshwater or the installation of 3-D Pedestrian Crossings in multiple areas of the LGA
- that the council should 'live within its means' in the current cost of living pressures before asking residents to pay higher rates
- the council has not made good faith efforts to contain spending
- amalgamation of the councils did not result in costs savings and efficiencies being made as promised.

Further, in our feedback form, we asked respondents how much they agree or disagree with 3 statements about the council's efficiency and communication of cost-saving strategies.

We received 2,683 responses. Of these, more than 60% (1,664) disagreed that the council is effective in providing infrastructure and services for the community while about 18% agreed, and the remainder neither agreed nor disagreed. Around 91% (2,483) disagreed that the council had explained past cost-saving strategies while 87% (2,442) disagreed that the council has explained its future cost-saving strategies. The full results are presented in Figure C.4 in Appendix C.

We have considered this feedback as part of our assessment of this criterion.

8.2 The council's information on realised and proposed productivity savings

The council has indicated it has identified past productivity improvements across a wide array of areas which it has estimated have resulted in $29.5 million per year in financial benefits.[59]

It also told us about planned improvement initiatives scheduled to commence between 2025-26 and 2027-28. The council estimates the annual benefit of implementing these initiatives is $6 million per year, with additional savings for some initiatives not quantified.[60]

8.3 Our analysis of the council's information on productivity savings

We analysed the information the council provided on its realised and proposed productivity improvements and cost containment strategies.

8.3.1 Realised productivity improvements and cost containment to date

We found that the council has made some significant productivity and cost containment gains to date. In its SV application, it estimates that, over the last 10 years, it has delivered an average of $29.5 million in annual ongoing cost savings. This equates to about 8% of the council's total expenses.[61] It has also delivered revenue improvements and one-off cost savings.[62]

The council's SV application indicates that the savings are the result of the following initiatives:

- reduced employee costs
- reduced insurance premiums
- training programs and more efficient use of staff
- improvements in streetlights and energy costs
- reduced loan liabilities and payables
- rationalisation of services since amalgamation.

8.3.2 Proposed productivity improvement and cost containment strategies in coming years

We found that the council's application outlines strategies and activities for further improving its productivity and efficiency in the coming years. The council estimates the annual benefit of implementing these initiatives is $6 million per year, with additional savings for some initiatives not quantified. These are:

- a service review to identify inefficiencies
- continued rationalisation of services post-amalgamation
- sale of poorly utilised lands
- optimisation of the vehicle fleet
- continuing to move towards greater energy efficiency and use of renewable energy
- continue use of the worker's compensation self-insurance plan
- other income opportunities that are not rates.[63]

These initiatives are outlined in the council's LTFP and it's Productivity Journey and Improvement Plan. While this document provides significant detail on the plans the council has to contain costs and improve efficiency in the coming years, some but not all of these initiatives have been quantified by the council. For example, the council has clearly set out what it expects to save based on the implementation of its Fleet Optimisation Plan and the sale of poorly utilised land. However, it has not set out what it expects to save through improvements in IT efficiency or reviews of services among other broad initiatives.

8.4 Indicators of the council's efficiency

We examined indicators of the efficiency of the council's operations and asset management processes, including how its efficiency has changed over time and how its performance compares with that of similar councils. This data is presented in Table 8.1 and Table 8.2 below.

We found that between 2019-20 and 2023-24, the council's:

- number of full time equivalent (FTE) staff, on average, grew by 1.7% each year
- average annual cost per FTE increased by an average of 2.9% nominal per annum
- employee costs as a percentage of operating expenditure remained stable.

We also found that the council has:

- more staff per population than the Group 3 average – it has one FTE for every 214 residents, whereas the Group 3 average is one FTE for every 251 residents
- higher operating expenditure per capita than the Group 3 average
- we also note a significant jump in average cost per FTE between 2021-22 and 2022-23.

These performance indicators only provide a high-level overview of the council's efficiency at a point in time. Additional information would be required to accurately assess the council's efficiency and its scope for future productivity gains and cost savings.

Table 8.1 Trends in selected efficiency indicators for Northern Beaches

Performance indicator	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual change (%)
FTE staff (number)	1,170	1,195	1,237	1,202	1,253	1.7
Ratio of population to FTE	231.9	228.9	221.5	220.0	213.8	-2.0
Average cost per FTE ($)	113,215	113,435	112,464	111,947	127,160	2.9
Employee costs as % of operating expenditure (General Fund only) (%)	40.0	39.0	38.0	38.8	40.1	0.0

Source: OLG, Time Series Data 2023-24, IPART calculations.

Table 8.2 Select comparator indicators

	Northern Beaches	OLG Group 3 Average	NSW Average
General profile			
Area (km2)	254	94	5,570
Population	267,921	191,737	63,570
General Fund operating expenditure ($m)	397.6	239	112.3
General Fund operating revenue per capita ($)	1,649	1,496	N/A
Rates revenue as % of General Fund income (%)	55.8	52	41.0
Own-source revenue ratio (%)	84.6	78	64.2
Productivity (labour input) indicators			
FTE staff	1,253.0	777.7	392.3
Ratio of population to FTE	213.8	246.5	162.0
Average cost per FTE ($)	127,160	120,477	109,553
Employee costs as % of operating expenditure (General Fund only) (%)	40.1	39	36.1
General Fund operating expenditure per capita ($)	1,484	1,245	1,766

Source: OLG, Time Series Data 2023-24 and IPART calculations.

9 Our assessment of OLG Criterion 6 - Any other matter IPART considers relevant

OLG Criterion 6 provides that IPART may take into account any other matter that it considers relevant.

We consider that a relevant matter is whether the council has been granted an SV in recent years, and if so, whether the council has complied with any conditions attached to that SV.

IPART approved a permanent Additional Special Variation (ASV) for the council of 2.4%, for 2022-23. The stated goal of this ASV was to enable the council to maintain its expected level of rating income and maintain its expenditure program in a high inflation economic environment.

A condition of the approval is that the council in its 2022-23 annual report must outline:

- its actual revenues, expenses, and operating results against projections provided in its ASV application
- any significant differences between its actual and projected revenues, expenses and operating results
- the additional income raised by the ASV.

The council indicated in its current SV application that it has complied with this condition. We have reviewed the council's 2022-23 annual report and have assessed that the council has complied with this condition.[64]

10 IPART's decision on the special variation

Based on our assessment of the council's application against the 6 OLG criteria and consideration of stakeholder feedback, we have not approved the council's proposed permanent SV to general income from 2025-26 to 2027-28. Instead, we have approved a 2-year permanent SV of 25.2% in total, which aligns with the first 2 years of the SV the council applied for.

Our decision means that the council will still have a surplus in operating revenue that is sufficient to enable the council to carry out asset renewals, improve service levels and carry out other initiatives under the proposed SV, and have a generally more reasonable impact on ratepayers.

The approved increase to general income is set out in Table 10.1 below.

Table 10.1 IPART's decision on the special variation to general income (%)

	2025-26	2026-27
Annual percentage increase (%)	12.1	11.7
Cumulative increase (%)		25.2

Source: IPART calculations.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Northern Beaches Council for 2025-26* gives legal effect to this decision and sets out the conditions of approval.

10.1 Reasons for our decision

For criterion 1 on financial need we found on balance that the council has not demonstrated a financial need for the SV as set out in its application. We found it has demonstrated a need for additional funds for the first 2 years. We have approved a different SV based on our assessment of this and other criteria which is discussed in Chapter 10.

We made this decision after considering the council's financial need for additional income to secure its long-term financial sustainability, address the backlog on infrastructure and maintenance and to provide additional funds to improve services for its community.

Under the council's proposed SV the council's Operating Performance Ratio (OPR) would be around 8% which is significantly above the OLG benchmark of greater than 0%. We consider this level of OPR to be too high given that part of the surplus funds is to be used to accumulate financial reserves for future capital works and for increasing the capacity for council to respond to future natural disasters. Currently, the council's OPR is slightly negative and without the SV, this would continue to worsen over the next 10 years. This is not sustainable if the council is to continue delivering the services and infrastructure in its adopted plans.

We consider the additional income under the approved 2-year SV to be sufficient for the council to achieve financial sustainability and still accrue surpluses to fund expansions in environmental and natural disaster risk reduction programs and long-term investments in major infrastructure renewals. It would also have a smaller impact on ratepayers in an economic environment where inflation has put considerable pressure on the cost of living.

Many stakeholders told us that the council's proposed rates increase is likely to create affordability challenges in the current economic climate. We found that the council demonstrated the impact on ratepayers is generally reasonable, considering its current rates and the community's capacity to pay. The population of its LGA has higher levels of socio-economic advantage as measured by SEIFA rank and higher median household incomes compared to the average of its OLG Group. The council has a hardship policy and has programs in place to waive charges and fees under certain circumstances.

The approved SV, for a lower amount of 25.2% compared to the 39.6% proposed by the council, will have a smaller impact on ratepayers. With the approved SV, the council's average residential and business rates are expected to be slightly higher than the average rates for both nearby councils and councils with a similar level of socio-economic advantage.

We also found that the council made a significant effort to reach the community and ratepayers to inform them about the proposed SV scenarios and the reasoning behind the proposal. The council used a number of engagement channels and provided opportunities for the community to give feedback. The council received over 5,500 responses to its survey, with 49% of respondents supporting a special variation of 31.1% or higher.[65] The council considered this feedback, and decided to apply for a lower special variation increase than initially intended in consideration of the impact on ratepayers.[66]

The council demonstrated it has delivered significant productivity improvements and put in place cost containment strategies in recent years. The council outlined that its past productivity improvement and cost containment initiatives have resulted in savings of approximately $29.5 million per year in financial benefits. It also identified future initiatives with an estimated annual net benefit of $6 million.[67] The council indicated that it has incorporated the impact of future initiatives into its Long-Term Financial Plan (LTFP). It will need to continue to deliver on future productivity improvements to continue to improve its long-term financial stability.

We found that the council met the reporting conditions attached to its past SV – an Additional Special Variation (ASV) approved in 2022-23.

10.2 We have put conditions on the special variation

The approved special variation is subject to the following conditions:

- The council use the additional income for the purpose of funding the proposed programs (see Table B.2 in Appendix B).
- The council report in its annual report for each year from 2025-26 to 2031-32 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program in Table B.2.

- any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences
- the outcomes achieved as a result of the additional income
- whether or not the council has implemented the productivity improvements as set out in Appendix B, and
  i if so, the annual savings achieved through these measures, and what these equate to as a proportion of the council's total annual expenditure, and
  ii if not, the rationale for not implementing them
- any other productivity and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure.

10.3 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 10.2 below.

This shows that from 2025-26 to 2026-27, if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by $428 or 25.2%
- the average business rate would increase by $1,106 or 25.2%
- the average farmland rate would increase by $617 or 25.2%

Table 10.2 Indicative annual increases in average rates under the approved SV (2024-25 to 2026-27)

	2024-25 (Current)	2025-26	2026-27	Cumulative increase
Residential average rates ($)	1,698	1,904	2,127	
$ increase		205	223	428
% increase		12.1	11.7	25.2
Business average rates ($)	4,386	4,917	5,492	
$ increase		531	575	1,106
% increase		12.1	11.7	25.2
Farmland average rates ($)	2,451	2,746	3,068	
$ increase		295	351	646
% increase		12	11.7	25.2

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: Northern Beaches Application Part A and IPART calculations.

10.4 Impact on the council

Our decision means that the council may increase its general income by $23.9 million in 2025-26 and $25.9 million in 2026-27. These increases can remain in the rates base permanently,

Table 10.3 shows the percentage increases we have approved and estimates of the annual increases in the council's permissible general income.

Table 10.3 Permissible general income of council from 2025-26 to 2026-27

	2025-26	2026-27
Increase approved (%)	12.1	11.7
Cumulative increase approved (%)		25.2
Increase in PGI ($'000)	23,919	25,928
Cumulative increase in PGI ($'000)		49,848
PGI ($'000)	221,609	247,538

Source: IPART calculations.

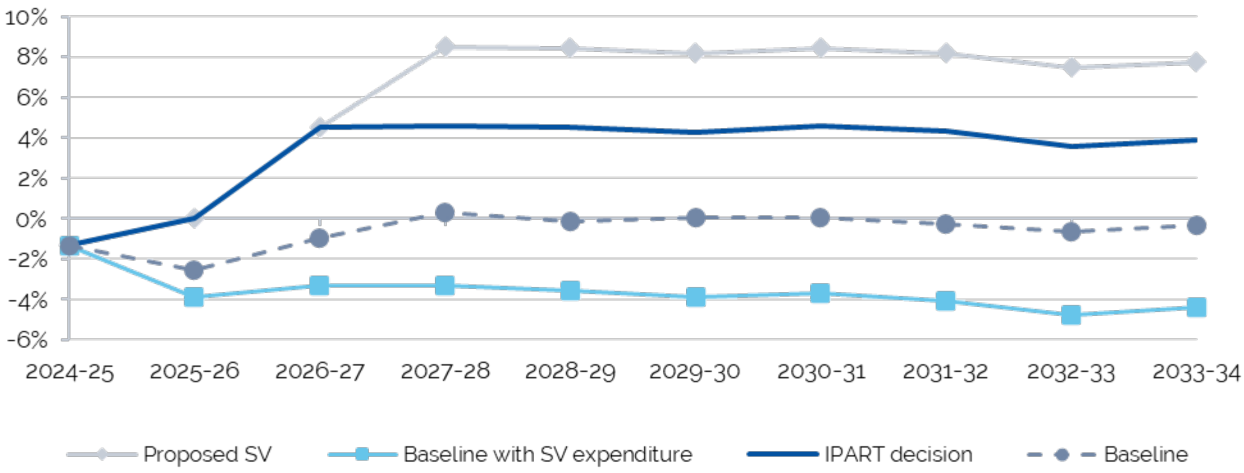
This extra income will enable the council to:

- maintain its existing services and service levels generally
- reduce its infrastructure backlogs for asset maintenance and renewals albeit it to a lesser extent than under the council's proposed SV
- build a surplus of reserves to environmental and natural disaster management programs and fund strategic infrastructure construction and renewal albeit more slowly than under the council's proposed SV.

We have projected the council's Operating Performance Ratio (OPR) and net cash (debt) to income ratio. Under our decision, we expect that:

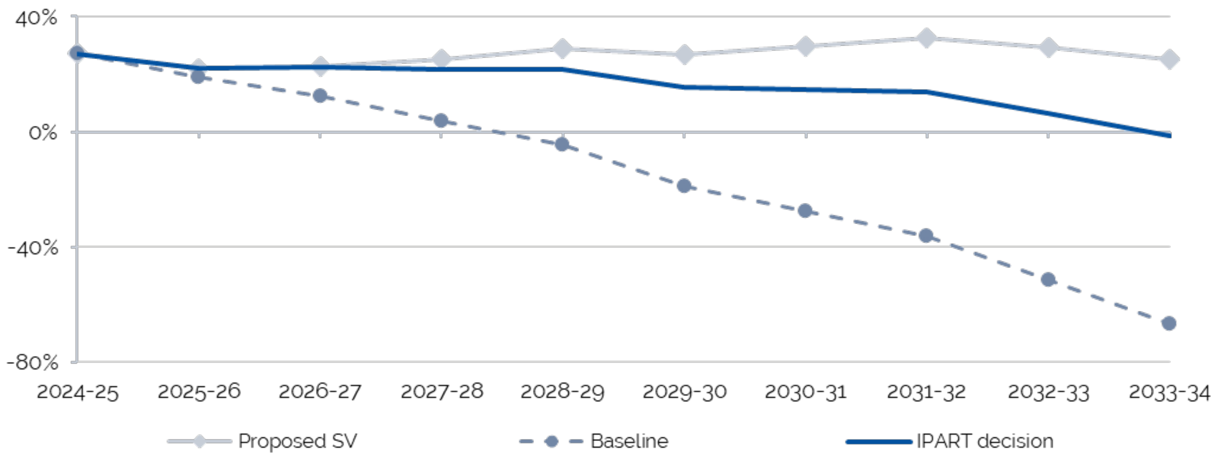
- the OPR will improve to an average of 3.6% over the 5 years from the start of the SV, still providing a significant operating surplus and remaining above the OPR benchmark of greater than 0%.
- The net cash to income ratio will average 20.6% over the 5 years from the start of the SV, avoiding the steep decline seen in the baseline scenario.

Figure 10.1 Northern Beaches Projected OPR under IPART's Decision



Source: IPART analysis

Figure 10.2 Northern Beaches Projected Net Cash under IPART's Decision



Source: IPART analysis

Appendices

A Assessment criteria

A.1 Special Variations assessment materials

The Office of Local Government (OLG) sets the criteria for assessing special variation applications in its special variation guidelines. The guidelines help councils prepare an application to increase general income by means of a special variation.

A special variation allows a council to increase its general income above the rate peg. Special variations can be for a single year or over multiple years and can be temporary or permanent.

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the 6 criteria for a special variation include:

1. the need for, and purpose of a different revenue path for the council's General Fund must be clearly set out and explained in the council's IP&R documents
2. there must be evidence that the community is aware of the need for and extent of a proposed rate rise
3. the impact on affected ratepayers must be reasonable
4. the relevant IP&R documents must be exhibited (where required) approved and adopted by the council
5. the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
6. any other matter that IPART considers relevant.

We also provide comprehensive guidance on our approach to assessing special variation applications. This includes information for councils on our expectations of how to engage with their community on any proposed rate increases (see our guidance booklet).

Criterion 1: Financial need

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long-Term Financial Plan and Asset Management Plan where appropriate.

In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long-Term Financial Plan applying the following two scenarios:[i]

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and

[i] OLG, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013, p 71

- Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish the community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criterion, IPART will also consider whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the *Local Government Act*. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

Criterion 2: Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long-Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV. Council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.

Criterion 3: Impact on ratepayers is reasonable

The impact on affected ratepayers must be reasonable, having regard to the current rate levels, existing ratepayer base and the proposed purpose of the variation. The council's Delivery Program and Long-Term Financial Plan should:

- clearly show the impact of any rate rises upon the community,
- include the council's consideration of the community's capacity and willingness to pay rates, and
- establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

In assessing the impact, IPART may also consider:

- Socio-Economic Indexes for Areas (SEIFA) data for the council area; and
- Whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the *Local Government Act*.

Criterion 4: IP&R documents are exhibited

The relevant IP&R documents[j] must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. We expect that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

Criterion 5: Productivity improvements and cost containment strategies

The IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies the council has realised in past years and plans to realise over the proposed special variation period.

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council's Long-Term Financial Plan.

Criterion 6: Any other matter that IPART considers relevant

Any other matter that IPART considers relevant.

The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART.

[j] The relevant documents are the Community Strategic Plan, Delivery Program, and Long-Term Financial Plan and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended), public exhibition for 28 days. It would also be expected that the Long-Term Financial Plan (General Fund) be posted on the council's web site.

B Northern Beaches Council projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report until (2026-27 to 2031-32) against its proposed SV expenditure and projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2) It also needs to report on its progress against productivity improvements and cost containment strategies that it set out in its application and as summarised/set out below.

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. To isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Productivity improvements and cost containment strategies

Our analysis of the council's productivity and cost containment can be found in Chapter 8 of this report.

As set out in the council's response in section 7.3(a) of its SV application Part B, it included:

- Productivity and cost containment gains to date which have been estimated at $29.5 million of annual ongoing costs savings and revenue improvements since 2016, amounting to close to 6.3% of expenditures in 2022-23.[68]
- This was broken down by savings of $6.03 million in employee costs, $2.07 million in insurance premiums $11.27 million in materials & contracts and $10.14 million in staff efficiencies.[69]
- Some strategies and activities for further improving its productivity and efficiency in the coming years. These include:
  - Workforce restructuring and more efficient allocation of staff
  - Continuation of rationalisation and review of services since amalgamation
  - A reduction and cost rationalisation of the vehicle fleet
  - Increased adoption of solar panels and HVAC projects[70]

Table B.1 Long-Term Financial Plan - Summary of projected operating statement for Northern Beaches Council under its approved SV application ($'000)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Total revenue	471,019	490,346	499,934	511,635	524,968	539,539	555,956	570,012	586,785
Total expenses	444,976	452,637	465,978	478,115	492,803	504,160	520,729	538,076	552,341
Operating result from continuing operations	26,043	37,709	33,956	33,520	32,165	35,379	35,226	31,936	34,444
Net operating result before capital grants and contributions	654	21,934	22,987	23,217	22,389	24,532	24,156	20,637	22,910
Cumulative net operating result before capital grants and contributions	654	22,588	45,576	68,792	91,181	115,713	139,870	160,507	183,417

a. Numbers may not add due to rounding.

Source: Northern Beaches Council, Application Part A, Worksheet 10 and IPART calculations.

Table B.2 Proposed Program - Summary of projected expenditure plan for Northern Beaches Council under its proposed SV application

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Operating expenditure										
Funding existing services										
Maintenance - Buildings	848,717	581,654	896,038	919,335	943,238	968,705	995,829	1,023,712	1,052,376	1,081,842
Maintenance - Stormwater Drainage	102,200	211,970	435,462	217,193	222,840	333,720	235,265	274,402	248,624	284,863
Maintenance - Other Infrastructure	53,045	163,590	224,009	229,834	235,809	242,176	248,957	255,928	263,094	270,461
Maintenance - Swimming Pools	35,363	72,707	112,005	114,917	117,905	121,088	124,479	127,964	131,547	135,230
Maintenance - Roads Sealed	265,224	559,842	884,837	930,827	978,609	1,029,249	1,082,964	1,138,879	1,197,078	1,257,642
Maintenance - Other Road Assets	141,453	254,110	392,017	402,209	412,666	423,808	435,675	447,874	460,414	473,306
Maintenance - Roads Unsealed	148,525	305,368	470,420	482,651	495,200	508,570	522,810	537,449	552,497	567,967
Maintenance - Bridges	28,291	87,248	89,604	91,933	94,324	96,870	99,583	102,371	105,238	108,184
Maintenance - Footpaths	14,145	29,083	44,802	45,967	47,162	48,435	49,791	51,186	52,619	54,092
Funding new/enhanced service levels										
Environmental and natural risk reduction programs	1,392,249	2,501,135	3,963,712	3,549,643	4,355,257	4,575,774	5,347,449	4,444,034	4,071,115	4,493,539
Natural disasters response	655,542	1,347,795	2,076,278	2,130,262	2,185,648	2,244,661	2,307,511	2,372,122	2,438,541	2,506,820
Uplift compliance services	385,105	791,776	1,232,052	1,264,085	1,296,952	1,331,969	1,369,264	1,407,604	1,447,017	1,487,533
Uplift infrastructure service levels	599,027	1,140,649	1,874,585	1,153,017	1,191,651	1,369,430	1,279,641	1,327,359	1,375,855	1,498,207
Uplift town centre programs	128,822	277,612	449,467	462,951	476,839	491,145	505,879	521,561	538,251	551,708
Uplift tree maintenance and planting	417,286	857,940	1,321,656	1,356,019	1,391,275	1,428,840	1,468,847	1,509,975	1,552,254	1,595,717
Additional maintenance and depreciation for SV funded new assets	0	13,633	93,645	263,516	525,090	825,086	1,104,666	1,373,662	1,646,026	1,975,704
Total	**5,214,994**	**9,196,111**	**14,560,589**	**13,614,357**	**14,970,464**	**16,039,526**	**17,178,610**	**16,916,083**	**17,132,545**	**18,342,816**
Capital expenditure										
Renewals										
Buildings	1,531,227	2,376,783	3,230,216	5,140,231	3,867,757	2,260,756	5,006,011	6,266,261	4,810,984	3,085,238
Roads Sealed	1,305,075	2,457,488	2,976,386	3,604,825	3,526,664	3,796,908	4,225,645	4,610,010	4,124,296	4,769,042
Other Road Assets	388,995	799,774	784,033	804,418	825,333	847,617	871,350	895,748	920,829	946,612

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Stormwater Drainage	1,494,562	2,667,863	4,055,098	4,455,564	4,468,816	3,951,340	4,061,977	4,175,713	8,203,103	22,915,448
Swimming Pools	229,861	977,906	1,864,879	689,501	1,084,723	726,529	746,872	767,784	789,282	811,382
Other Open Space/Recreational Assets	132,612	272,650	420,018	430,938	442,143	635,713	1,960,538	479,865	493,301	507,114
Other Infrastructure	327,110	1,915,823	3,116,585	2,942,848	5,173,975	5,499,847	1,898,485	1,928,589	1,958,452	1,986,707
Major infrastructure renewals program	0	0	560,024	574,584	15,327,610	1,210,881	2,489,572	38,389,196	39,464,094	12,846,878
New assets										
Footpaths	177,170	508,947	784,033	804,418	825,333	847,617	871,350	895,748	920,829	946,612
Other Road Assets	230,214	1,543,201	2,881,882	3,263,639	3,938,017	4,589,240	4,717,738	4,849,835	3,729,357	1,068,319
Stormwater Drainage	259,566	555,116	2,082,821	1,887,661	1,872,818	1,955,644	2,035,605	2,095,834	2,109,123	2,227,730
Other Open Space/Recreational Assets	106,090	1,014,259	1,848,078	1,896,128	0	1,210,881	0	432,945	445,067	457,529
Major infrastructure upgrades program	0	545,301	1,400,059	5,171,258	7,840,662	4,480,260	4,605,708	3,774,938	7,235,084	13,523,029
Total	**6,182,480**	**15,635,110**	**26,004,112**	**31,666,014**	**49,193,850**	**32,013,232**	**33,490,851**	**69,562,465**	**75,203,800**	**66,091,641**
Other uses of proposed SV										
Rebuild working capital	420,115	863,756	1,344,057	1,379,002	1,414,856	1,453,057	1,493,743	1,535,568	1,578,564	1,622,764

a. Numbers may not add due to rounding.

Source: Northern Beaches Council, Application Part A, Worksheet 8 and IPART calculations.

C Results of IPART's public consultation feedback form

As part of our stakeholder engagement, we published a survey-style feedback form that asked respondents 15 questions relating to:

- their support or opposition to the council's SV application
- their views on the affordability of the proposed SV
- their awareness of the proposed SV, and
- their views on the council's past and proposed cost management strategies.

We accepted responses for 4 weeks from 25 February 2025 to 24 March 2025.

We received 2,683 responses on Northern Beaches Council's SV application.

Some results are presented in Chapter 3 of this report and throughout our assessment in chapters 3 – 6, as relevant. This appendix provides the results for questions about affordability, awareness of the SV, and council's past and proposed cost management strategies. It also provides the breakdown of the categories of ratepayers that responded.

We note that while this was a survey-style feedback form, it was not a statistically representative survey. Respondents were able to self-select to provide feedback and the results may not be representative of the whole community's views.

Table C.1 shows reasons for opposing the rate increase, and Table C.2 shows reasons for supporting the SV.

Table C.1 Responses to reasons that oppose the proposed rate increase

Reasons for opposing the proposed rate increase	Number of responses	Percentage of responses
Cost of living pressures are too high to afford a rate increase	2,095	78%
The Council has not been effectively managing its budget	2,376	89%
The Council is not effectively managing its infrastructure	1,665	62%
I disagree with the purpose of the proposed rate increase	1,323	49%
I disagree with the size of the proposed rate increase	2,239	83%
I disagree with the proposed rates structure	1,012	38%
I have other concerns that are not listed here	795	30%
I have no concerns with the proposed rate increase	45	2%

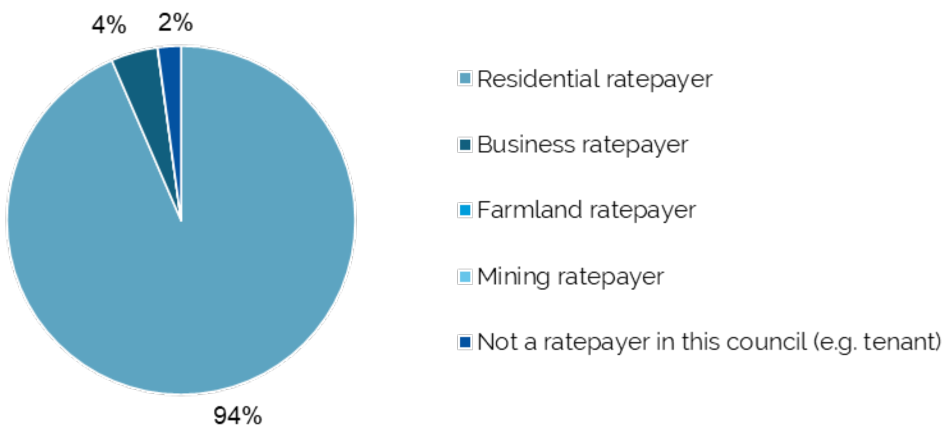
a. The total number of responses for each question was 1,648. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.
b. The reasons were provided by IPART. The respondents were able to select multiple answers.
Source: IPART

Table C.2 Responses to reasons that support the proposed rate increase

Reasons for opposing the proposed rate increase	Number of responses	Percentage of responses
Current infrastructure needs to be fixed or upgraded with increased funding	562	21%
Current services are inadequate and need more funding	269	10%
I recognise that the council has financial sustainability issues which the funding will help address	403	15%
I agree with the purpose of the special variation	61	2%
I agree with the proposed rates structure	32	1%
I have other reasons for supporting the proposal not listed here	79	3%
I have no reasons to support the proposed rate increase	1,746	65%

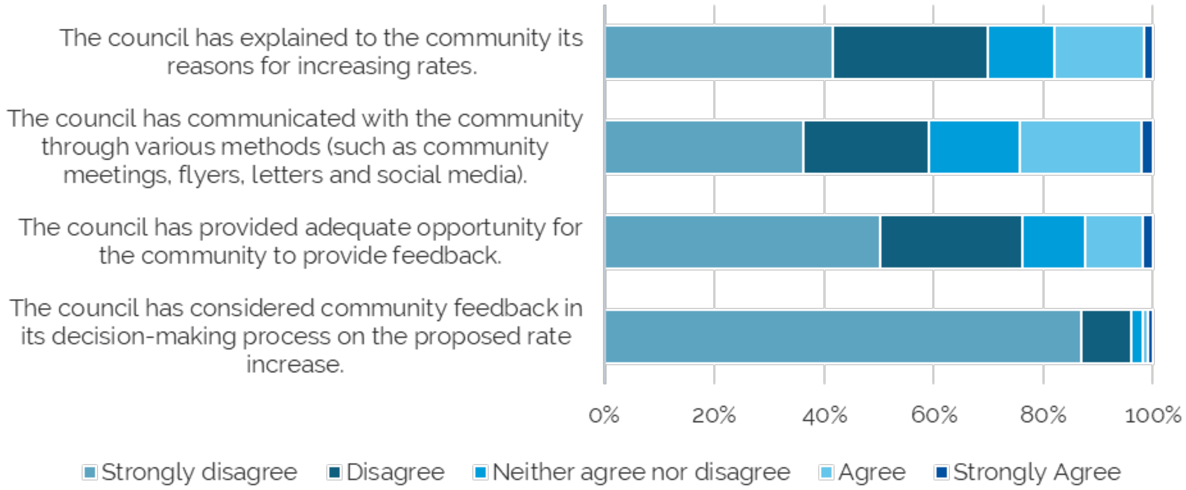
a. The total number of responses for each question was 1,648. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.
b. The reasons were provided by IPART. The respondents were able to select multiple answers.
Source: IPART

Figure C.1 Respondent ratepayer types



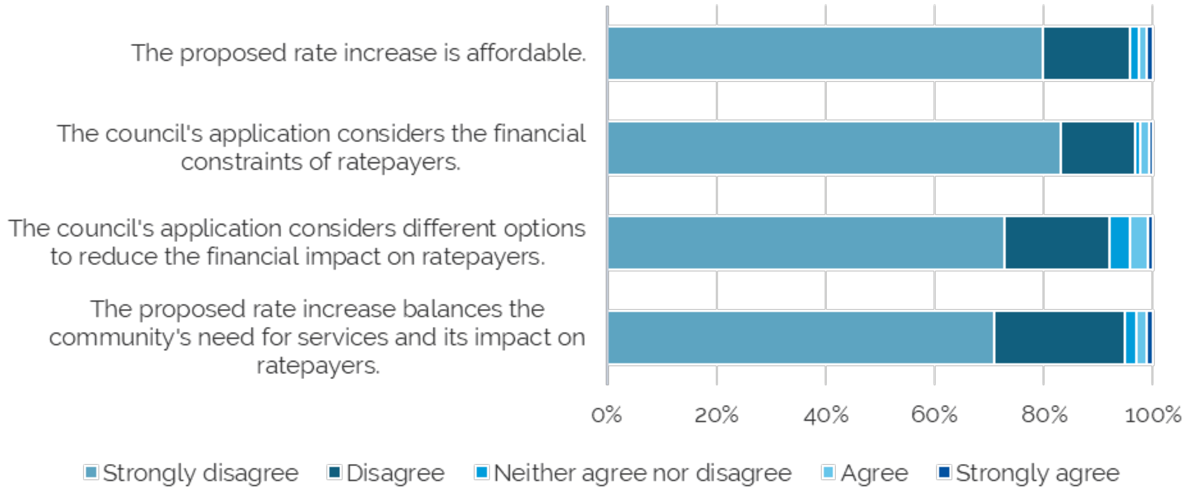
Note: The total number of responses for each question was 2,683. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

Figure C.2 Responses to questions about awareness and understanding of the proposal



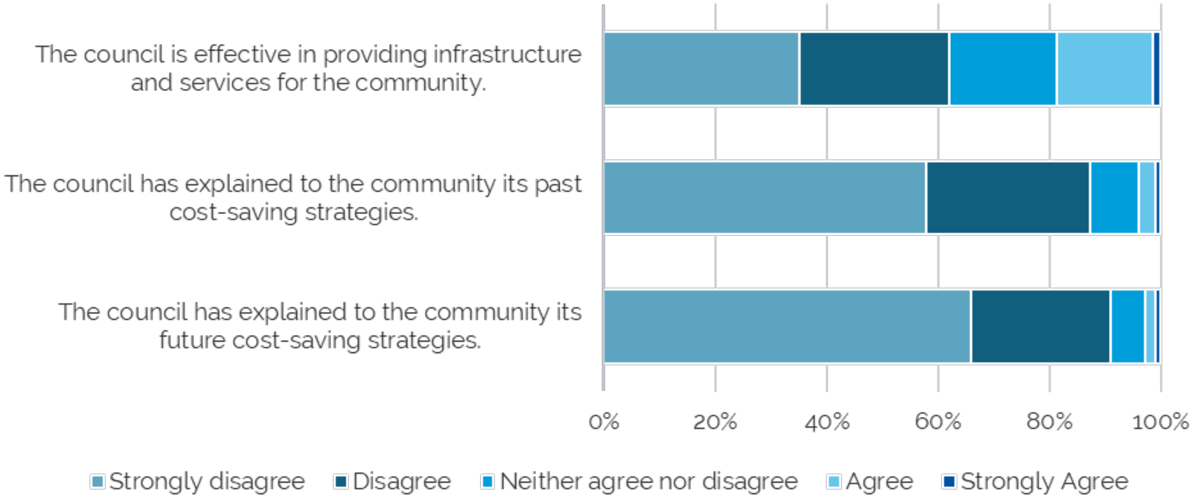
a. The total number of responses for each question was 2,683. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

Figure C.3 Responses to questions about affordability



a. The total number of responses for each question was 2,683. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

Figure C.4 Responses to questions about the council's cost-saving strategies



a. The total number of responses for each question was 2,683. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

D Glossary

Term	Meaning
ABS	Australian Bureau of Statistics
ASV	Additional Special Variation. This was a one-off round of special variations of up to 2.5% available to councils in 2022-23 in response to a rate peg that was lower than councils expected in a high inflation environment. Applications were assessed against a special set of criteria developed by the OLG.
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
IP&R	Integrated Planning & Reporting
Local Government Act	*Local Government Act 1993* (NSW)
MR [delete if no MR application]	Minimum rates are the minimum amount of an ordinary rate that a council may levy. This must not exceed the statutory maximum set out in section 548(3)(a) of the Local Government Act, unless IPART (under delegation from the Minister) has approved a higher amount.
OLG	The Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
OPR	The Operating Performance Ratio (OPR) measures whether a council's income will fund its costs, where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.
PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower than the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the *Local Government Act 1993*.
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

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[9]. Northern Beaches Council, Application Form Part B, pp 5-6.
[10] Northern Beaches Council, Application Form Part B.
[11] IPART analysis.
[12] Morrison Low, Capacity to Pay Report Northern Beaches Council, December 2024.
[13] Morrison Low, Capacity to Pay Report Northern Beaches Council, December 2024.
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[28] Office of Local Government, Performance Benchmarks, May 2020.
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[30] Northern Beaches Council, Application Form Part A, WS9 – Financials.
[31] Northern Beaches Council, Application Form Part A, WS9 – Financials.
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[33] Northern Beaches Council, Long-Term Financial Plan 2024-34 Special Variation Update: Funding our Future, January 2025 p. 58
[34] Northern Beaches Council, Application Form Part A, WS10 – LTFP.
[35] IPART analysis.
[36] Northern Beaches Council, Application Form Part B.
[37] Northern Beaches Council, Application Form Part B.
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[39] IPART analysis
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