

Mr John Madden
Local Government Team
Independent Pricing and Regulatory Tribunal of NSW
PO Box K35
Haymarket Post Shop, NSW 1240

4 March, 2019

Dear Mr Madden,

**IPART Submission
Re: North Sydney Council Special Rate Variation**

1. Willingness to Pay

I consider that Council has not given the required consideration of the community's willingness to pay rates as required under Assessment Criteria 3.

The Office of Local Government (OLG) guidelines specify the criteria against which IPART is to assess each SRV application. Criteria 3, requires IPART to assess:

"3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing rate payer base and the proposed purpose of the variation. The 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."

I note that IPART is required to assess Council's consideration of the community's willingness to pay rates.

I would draw your attention to p52 of the North Sydney Council Application-Part-B.

"Feedback regarding the community's willingness to pay for the proposed SRV was sought in two (2) stages. Firstly, during the exhibition of the draft IP&R document which occurred from 10 May to 7 June 2018, during which time a total of 32 submissions were received, with only one (1) specifically objecting to a financial scenario involving a SRV. The second occasion was the consultation specifically regarding the SRV and minimum rate increase proposal, which occurred from 1 November 2018 to 16 January 2019."

This statement by Council to IPART is grossly misleading and does not reflect the community's preferences and willingness to pay.

This was contrary to the community's preference from the two community consultation surveys.

Peter Marshall

[Redacted Signature]

Online & Email Survey Results

This NSC survey indicated 51% support for Scenario 1 (annual increase by rate peg only):

	No. Responses	Percentage
Scenario 1	279	51%
Scenario 2	99	18%
Scenario 3	116	21%
Other	55	10%
Total	549	100%

Random Representative Survey Results

This NSC survey of residents and businesses indicated 42% support for Scenario 2 (5.5% SRV increase for 5 years):

	No. Responses	Percentage
Scenario 1	183	30%
Scenario 2	263	42%
Scenario 3	173	28%
Total	619	100%

The General Manager's Report (p11) provided the explanation for the recommendation that Council adopt Scenario 3:

“Notwithstanding the community preference for Scenario 2, consistent with Council’s previously resolved preference, this report recommends continuing to apply to IPART for a SRV and minimum rate increase under Scenario 3. While Council may wish to reconsider its previously resolved preferred scenario in light of community responses, the recommendation errs on the side of financial prudence and longer-term financial sustainability. Scenario 3 best enables Council to address ageing infrastructure and respond to demands for public space and community infrastructure, necessary to support the planned increased residential and commercial density.”

As evidenced by the results of the two Council community surveys, I consider that Council has not given the required consideration of the community’s willingness to pay rates, as required under Assessment Criteria 3.

2. Net Operating Surplus (Scenario 1 Base Case)

I am not convinced that Council's funding cannot meet its declared requirements in the medium term without the withdrawal of existing services.

I would draw your attention to p18 of the North Sydney Council Application-Part-B.

Under Scenario 1 (Base Case) there is a projected cumulative Net Operating Surplus before capital grants and contributions of approximately \$11.9m over the next 5 years.

If there is a projected surplus over the next 5 years what is the urgency for a Special Rate Variation (SRV) commencing in 2019/20.

3. Special Infrastructure Levy Alternative

I do not support the Special Rate Variation (SRV) which will lock in the proposed rate increases in perpetuity.

North Sydney Council does not appear to be interested in considering alternatives to Council's preferred scenario 3.

I would support a special infrastructure levy to fund a specified list of backlog capital works.

I would propose the special infrastructure levy be set at 2% above the annual rate peg over a maximum period of 4 years.

Yours sincerely

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Peter Marshall