

21 March 2025

Mr Daniel Suh
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Via email: ipart@ipart.nsw.gov.au

Dear Mr Suh,

We welcome the opportunity to provide feedback on the Independent Pricing and Regulatory Tribunal's (IPART) review of Northern Beaches Council's Special Variation (SV) proposal.

As Australia's peak representative of the property and construction industry, the Property Council's members are the nation's major investors, owners, managers, developers, designers and builders of property of all asset classes. Many of our members own and develop property across the Northern Beaches local government area.

Northern Beaches Council has applied for a permanent increase in rates income for the period from FY 2025-26 to FY 2027-28 (inclusive) of 39.6 per cent. The permanent nature of the proposed SV will result in Council being in a favourable financial position by FY 2033-34, with a forecast operating performance ratio of 7.8 per cent,¹ which well exceeds the Office of Local Government's (OLG) benchmarks for financial performance.² The rationale for a permanent solution has not been sufficiently articulated or justified in the Council's Integrated Planning and Reporting documents submitted with the application.

While the Property Council recognises the financial challenges faced by councils, we are concerned that the SV process is being increasingly relied on to secure long-term financial sustainability. We are concerned that no option has been provided for a temporary SV or an alternative solution that phases one-off costs over a longer period to reduce the cumulative impact on ratepayers. In the context of businesses already facing substantial cost pressures, we urge IPART to carefully assess whether alternative funding options referred to above should be considered in lieu of a permanent increase.

Higher rates are likely to deter investment, increase operational costs, and potentially slow down development projects – in turn affecting housing supply and affordability and business operations in the area. While a 'Capacity to Pay' report was commissioned to support this application, we are

¹ Northern Beaches Council 2025, *Long-Term Financial Plan 2024-2034 – Special variation update: Funding our Future*, accessed 18 March 2025,

<https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/North-Sydney-Council-Attachment-Other-Attachment-Attachment-1-Long-Term-Financial-Plan-2025-2035.PDF>, p. 83.

² Office of Local Government 2025, *Finances – Your Council NSW*, NSW Government, accessed 18 March 2025, <<https://www.yourcouncil.nsw.gov.au/nsw-overview/finances/>>.

concerned that it does not provide adequate data or commentary to substantiate that business ratepayers will have capacity to absorb the proposed rate increase. There is also insufficient justification to support Council increasing its business rates to among the most expensive of OLG Group 3 councils. As a result, we are not in a position to support this application as the impact on affected ratepayers is not clearly defined, having regard to the current rate levels and the proposed purpose of the SV.

We note that Northern Beaches Council have historically renewed their assets to a higher standard compared to other metropolitan councils, and often at a higher cost. The SV application does not state whether Council is reconsidering its position, or if there has been a review of existing assets to identify ones that may not require immediate renewal to a higher condition. We recommend that IPART seeks clarification about Council's position and recommends that Council revisits their approach to prioritising asset upgrades to avoid a one-size-fits all approach.

The consultation process leading up to IPART's consideration of this proposal could also be improved. While we acknowledge the timing of IPART's review process to ensure rate changes come into effect at the start of a new financial year, Council's engagement overlapped with the Christmas/New Year holiday period which could have precluded people from having a meaningful opportunity to participate in consultation. Future engagement efforts need to be enhanced to build trust and ensure that stakeholders are adequately consulted and have their feedback considered as part of any changes.

While Council's consultation determined that ratepayers are generally in favour of expanded services and new and upgraded infrastructure, it did not provide any context about the quantum of rate revenue increases needed to fund such improvements. Affordability was a key sentiment raised throughout the community consultation and concerns were raised about funding service improvements and works through significant increases in council rates. We believe that the application does not demonstrate the community's awareness of the need for a rate rise of this magnitude.

Council has demonstrated a commitment to some productivity improvements and cost containment strategies that are expected to continue over the SV period. However, there is room for consideration of options to increase revenue through alternative means. Ratepayers need to be assured that any additional revenue generated by the SV will be used efficiently to deliver high-quality services and future-proofing their assets for long-term growth rather than simply funding increasing operational and staffing costs.

We thank IPART for the opportunity to provide a submission to this consultation. If you have any questions about this submission, please contact NSW Policy Manager, Emma Thompson at ethompson@propertycouncil.com.au or by phone on 0458 294 817.

Yours sincerely,



Katie Stevenson
NSW Executive Director
Property Council of Australia