

Draft Resourcing Strategy 2025-2035
Update on changes to rate rise scenarios
adopted by Council at its Ordinary meeting
of
15 April 2025

Ku-ring-gai Council

April 2025

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Background

Between April and May 2025, Council is exhibiting its Resourcing Strategy 2025-35, which includes an updated Long Term Financial (LTFP) and Asset Management Strategy (AMS).

The LTFP projects financial forecasts and scenarios for ten years, while the AMS outlines how Council intends to meet its asset management vision and objectives over the same period.

At its 15 April 2025 meeting, Council endorsed new rate rise scenarios to be included in the draft LTFP and draft AMS components of the Resourcing Strategy.

These scenarios differ to the rate rise scenarios which were included in the draft LTFP and AMS which were presented to, and considered by, Councillors at the meeting.

There has been insufficient time to incorporate the new scenarios within the LTFP and AMS documents before the exhibition commencement.

As such, this additional information has been prepared to explain the new rate rise scenarios, and their implications for Council's Resourcing Strategy, and by extension to its LTFP and AMS components.

Council intends to, however, fully incorporate any new scenarios within the LTFP and AMS components of the Resourcing Strategy before they are presented to Council for adoption in June 2025, after considering public feedback.

New rate rise scenarios

At the April 2025 meeting, Council supported the incorporation of four rate rise scenarios into the draft LTFP and AMS (components of the Resourcing Strategy) for exhibition.

These scenarios were:

- Base case – NSW Government rate peg only
- Scenario 1 – Renew Infrastructure (19% Special Rate Variation (SRV) above peg)
- Scenario 1.5 – Renew and Enhance Infrastructure (26% SRV above peg)
- Scenario 2 – Renew, Enhance and Expand Infrastructure (32% SRV above peg)

Below is the rate rise scenario table which was adopted by Council for incorporation into the draft LTFP and AMS.

Proposed Scenarios	Annual SRV Amount (\$'000)	SRV % above Rate Peg	SRV per Ratepayer (\$)	Allocation							
				Buildings	Drainage	Footpaths	Recreational Facilities	Recreational Facilities* (St Ives Sports Centre)	Footpaths Acceleration (New)	Infrastructure Upgrades	Marian Street Theatre*
Base Case (Rate Peg only)											
Scenario 1 Renew Infrastructure	16,500	19%	355	6,700	5,900	940	1,500	1,460			
Scenario 1.5 Renew and Enhance Infrastructure	22,600	26%	486	6,700	5,900	1,160	2,100	1,460	3,580	1,700	
Scenario 2 Renew, Enhance and Expand Infrastructure	27,800	32%	598	6,700	5,900	1,160	2,100	1,460	4,000	1,980	4,500

The table adopted by Council notes that, after loan repayments on the St Ives Sports Centre and Marian Street Theatre have expired (if these SRV options are chosen and approved), then the SRV funding formerly directed to these loan repayments can be reinvested in infrastructure renewal.

Below is a brief description of each of the new scenarios adopted by Council at its April 2025 meeting (for exhibition purposes). The below scenarios replace the scenario descriptions from pages 22 to 35 of the draft LTFP.

Base case

This scenario is based on Council's current level of service as per the 2025/26 budget expanded over ten years and adjusted for various price forecast indexes. Rates revenue will increase in line with the NSW Government rate peg.

Under this scenario, Council will deliver a series of underlying operating deficits from 2026/27 onwards. This situation primarily flows from cost increases in asset maintenance, depreciation, labour and material and contracts, outweighing increases in Council's revenue sources.

These ongoing deficits will mean Council will not be able to invest additional funds into asset maintenance and renewal, leading to a significant increase in Council's infrastructure backlog and a continued under-spending on maintenance. From 2025/26 to 2034/35, the cost to bring Council's poor and very poor infrastructure assets to a satisfactory condition would increase from \$110.56 to \$200.98m (in other words the infrastructure backlog would nearly double).

As a result, Council will be unable to maintain and renew existing infrastructure to meet community needs or key statutory benchmark expectations. This will lead to a noticeable decline in the quality and adequacy of Council existing infrastructure, including additional infrastructure service failures.

Council will, however, maintain adequate liquidity levels to meet its debts and liabilities as they fall due, while also ensuring the capacity to discharge its current debt by 2031/32 and fund several major one-off asset upgrades.

Scenario 1 – Renew Infrastructure

Under this scenario, Council would in 2026/27 increase rates by 19% above the rate peg (assumed at 3% in 2026/27). From 2027/28 onwards, rate revenue would increase in line with the rate peg announced by IPART.

The SRV would have the effect of providing an additional and ongoing \$16.5 million per annum. The impact on an average ratepayer would be approximately \$355 per annum above the rate peg.

The main purpose of the SRV is to strengthen Council's financial position and help address the growing infrastructure backlog, with a primary focus on renewing existing stormwater, buildings, recreational and open space and footpath assets. Council's infrastructure backlog would fall from \$110.56m in 2025/26 to \$53.00m in 2034/35.

The SRV is also projected to fund loan repayments on the St Ives Indoor Sports Centre.

Should this scenario be adopted, the proposed annual breakdown of the SRV's annual yield of \$16.5 million would be as follows:

- \$5.9 million to stormwater renewal in line with the prioritisation program undertaken in 2023/24 and informed by the independent review
- \$6.7 million for buildings renewal and modernisation in line with the prioritisation program undertaken in 2023/24 and informed by the independent review
- \$1.5 million for recreational facilities to improve sports fields, parks and other open space facilities
- \$940,000 for footpath renewal in line with the priorities identified in the Asset Management Strategy.
- \$1.46 million to fund loan repayments (net of LCLI subsidy) for the construction of the St Ives Indoor Sports Centre (original loan \$13.5 million)

Council's liquidity and debt situation remains unchanged from the Base Case.

Scenario 1.5 – Renew and Enhance Infrastructure

Under this scenario, Council would in 2026/27 increase rates by 26% above the rate peg (assumed at 3% in 2026/27) From 2027/28 onwards, rate revenue would increase in line with the rate peg announced by IPART.

The SRV would have the effect of providing an additional and ongoing \$22.6 million per annum. The impact on an average ratepayer would be approximately \$486 per annum above the rate peg.

This scenario will deliver all the financial and infrastructure benefits of Scenario 1, along with delivering the following additional funding on an annual basis:

- An additional \$600,000 for recreational facilities
- An additional \$220,000 for footpath renewal
- \$3.58 million for new footpaths
- \$1.7m for new infrastructure upgrades, including traffic works, which would be determined as part of Council's budget process.

Council's infrastructure backlog would fall from \$110.56m in 2025/26 to \$48.90m in 2034/35.

Council's liquidity and debt situation remains unchanged from the Base Case.

Scenario 2 – Renew, Enhance and Expand Infrastructure

Under this scenario, Council would in 2026/27 increase rates by 32% above the rate peg (assumed at 3% in 2026/27) From 2027/28 onwards, rate revenue would increase in line with the rate peg announced by IPART.

The SRV would have the effect of providing an additional and ongoing \$27.8 million per annum. The impact on an average ratepayer would be approximately \$598 per annum above the rate peg.

This scenario will deliver all the financial and infrastructure benefits of Scenario 1.5, along with delivering the following additional funding on an annual basis:

- An additional \$420,000 for new footpaths
- An additional \$280,000 for new infrastructure upgrades, including traffic works, which would be determined as part of the Council budget process.
- \$4.5 million to service loan repayments to enable the construction of the Marian Street Theatre project, and the annual operating subsidy for the project.

Council's infrastructure backlog would fall from \$110.56m in 2025/26 to \$55.37m in 2034/35.

Council's liquidity situation is unchanged from the Base Case, while the Marian Street Theatre loan is envisaged to be repaid by the end of 2035/36.

Asset Management Strategy implications

The Asset Management Strategy was based on two scenarios – namely the Base Case and the former SRV Option 1 – Renew Infrastructure (as explained in the draft LTFP and which envisaged a 19.9% rate increase above the rate peg)

The Asset Management Strategy is now proposed to be based on the Base Case (which is unchanged) and the new Scenario 1 – Renew Infrastructure (which envisages a 19% rate increase above the rate peg).

The incorporation of the new rate rise scenario leads to relatively minor changes to the AMS, with no material changes to overall infrastructure renewal and backlog ratios and small changes to funding streams for footpath and recreational facility renewal.

The revised tables “SRV Option 1 – Renew Infrastructure” (Tables 7 and 8, page 16, Asset Management Strategy) will be replaced as follows.

INFRASTRUCTURE BACKLOG - COST TO BRING TO SATISFACTORY (SCENARIO 1)										
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Buildings	35,301	30,614	27,189	23,693	20,199	16,631	12,990	9,272	5,477	1,603
Road & Transport	31,162	30,416	29,744	28,538	28,719	29,312	30,045	23,044	15,741	17,222
Stormwater	44,099	42,053	39,928	37,763	35,720	33,637	31,510	29,338	27,109	24,696
Parks & Recreation	0	0	0	0	1,149	3,081	4,614	6,090	7,389	9,479
Total	110,562	103,083	96,861	89,994	85,787	82,661	79,158	67,743	55,716	53,000

INFRASTRUCTURE BACKLOG - COST TO BRING TO AGREED LEVEL OF SERVICE (SCENARIO 1)										
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Buildings	64,300	59,613	56,188	52,692	49,198	45,630	41,989	38,271	34,476	30,602
Roads & Transport	124,242	123,621	122,949	121,743	121,924	122,344	123,078	115,626	107,279	108,686
Stormwater	44,099	42,053	39,928	37,763	35,720	33,637	31,510	29,338	27,109	24,696
Parks & Recreation	1,047	122	118	1,333	3,049	4,981	6,514	7,990	9,289	11,379
Total	233,688	225,409	219,183	213,531	209,891	206,592	203,091	191,225	178,153	175,362

The footpath backlog table on page 28 will be replaced as follows:

Footpaths \$'000 (Scenario 1)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Backlog - Cost to Satisfactory	1,670	1,468	1,024	604	176	0	0	0	0	0
Backlog - Cost to Agreed Level of Service	6,329	6,127	5,683	5,263	4,835	4,486	4,487	4,037	2,992	2,917
Renewal	1,316	1,741	2,069	2,135	2,232	2,241	1,966	2,528	3,262	2,397
New/Upgrade	2,423	1,742	3,224	3,406	3,268	2,938	1,942	4,183	6,106	3,461
Maintenance	974	1,008	1,043	1,080	1,117	1,157	1,197	1,239	1,282	1,327

The recreational facilities backlog table on page 38 will be replaced as follows:

Recreational facilities \$'000 (Scenario 1)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Backlog - Cost to Satisfactory	0	0	0	0	1,149	3,081	4,614	6,090	7,389	9,479
Backlog - Cost to Agreed Level of Service	1,047	122	118	1,333	3,049	4,981	6,514	7,990	9,289	11,379
Renewal	6,246	5,533	4,763	3,698	3,328	3,255	3,822	4,095	4,511	4,206
New/Upgrade	18,357	3,927	1,645	1,664	363	746	1,815	3,823	4,597	15,762
Maintenance	8,540	8,839	9,148	9,468	9,800	10,143	10,498	10,865	11,245	11,639

SRV scenarios in draft Long Term Financial Plan

The draft LTFP outlined three rate rise scenarios to apply from 2026/27, as shown below. These scenarios have been superseded by the new scenarios selected in Council's resolution on 15 April 2025.

Rate rise scenario name	Rate rise percentage	Annual SRV yield	SRV annual impact on average ratepayer
Base Case (business as usual)	3% (assumed NSW Government rate peg)	N/A	N/A
SRV Option 1 – Renew Infrastructure	19.9% above rate peg	\$17.32m	\$372
SRV Option 2 – Enhance Infrastructure	29.6% above rate peg	\$25.82m	\$554

The two SRV scenarios were stated as delivering the following additional annual funding for infrastructure outcomes.

Infrastructure area	SRV Option 1	SRV Option 2
Building renewal	\$6.7m	\$6.7m
Drainage renewal	\$5.9m	\$5.9m
Footpath renewal	\$1.2m	\$1.2m
Recreational facility renewal	\$2.1m	\$2.1m
New St Ives Sports Centre loan repayment	\$1.5m	\$1.5m
New footpath construction	No additional funding	\$4m
New Marian Street Theatre construction loan repayment	No additional funding	\$4.5m

The Long Term Financial Plan will fully incorporate the new scenarios before they are presented to Council for adoption in June 2025.