

EXHIBITION OF REVISED DELIVERY PROGRAM AND OPERATIONAL PLAN AND RESOURCING STRATEGY TO INCORPORATE A SPECIAL RATE VARIATION

EXECUTIVE SUMMARY

PURPOSE OF REPORT:	To present Council with the outcomes of the community feedback on four exhibited rate increase options and seek to adopt for exhibition a revised Delivery Program and Operational Plan, Long Term Financial Plan and Asset Management Strategy.
BACKGROUND:	At its Ordinary Council Meeting of 17 June 2025, Council endorsed commencing community engagement on four rate rise options, including three options which involved a Special Rate Variation. Comprehensive awareness-raising and engagement activities were undertaken during July-September 2025 in line with this resolution.
COMMENTS:	Community feedback showed there was majority support for a Special Rate Variation (SRV) to improve local infrastructure. After considering this feedback, alongside the infrastructure benefits of a SRV, the capacity of ratepayers to afford an increase, and the 2026/27 rate peg announcement, it is recommended that Council proceeds with a 30.4% rate increase in 2026/27. To progress this option, and to be in a position to lodge a SRV application before February 2026, Council needs to exhibit revised versions of several Integrated Planning and Reporting documents.
RECOMMENDATION:	That Council adopt for exhibition a revised Delivery Program and Operational Plan, Long Term Financial Plan and Asset Management Strategy as attached to this report, which incorporates a rate increase of 30.4% (including a Special Rate Variation of 26% and rate peg of 4.4%) to apply in 2026/27, with rates to subsequently increase by the annual rates peg in future years.

PURPOSE OF REPORT

To present Council with the outcomes of the community feedback on four exhibited rate increase options and seek to adopt for exhibition a revised Delivery Program and Operational Plan, Long Term Financial Plan and Asset Management Strategy.

BACKGROUND

In late 2022, Council commissioned an independent financial sustainability review, which made a number of recommendations including that Council pursue a Special Rates Variation (SRV) to address the growing infrastructure backlog. This report was considered by Council in February 2023, and the review findings informed a strategic review of Council's infrastructure assets, mainly stormwater and building assets and Council's successive Long Term Financial Plans (LTFPs) that all canvassed SRV options.

Council also gauged preliminary community feedback on willingness to pay higher rates for infrastructure improvements as part of its 2024 community research survey. Results showed that the community generally supported paying higher rates to improve services and facilities.

At its meeting on 15 April 2025, Council considered a report on a new draft Community Strategic Plan, Resourcing Strategy and Delivery Program and Operational Plan (DP&OP). Council resolved that the draft plans and strategy be placed on public exhibition. Following public exhibition, on 17 June Council resolved as per below:

That Council:

A. Subject to part B, adopts the Community Strategic Plan 2035, Resourcing Strategy 2025-2035 comprising Long Term Financial Plan, Asset Management Strategy and Workforce Management Strategy, DP&OP, incorporating the budget, capital works program, statement of revenue and fees and charges for 2025- 2026 with recommended amendments discussed in this report

B. Change the Scenarios for a special rates variation to be as per the following table:

Proposed Scenarios	Annual SRV Amount (\$'000)	SRV % (above rate peg)	SRV per Ratepayer (\$)	Buildings (eg halls, amenities, pavilions)	Drainage (stormwater)	Recreational Facilities (eg sportsfields, parks, open spaces)	St Ives Sports Centre*	Footpaths	Infrastructure Upgrades (eg traffic, transport works)	Footpaths Additional and Acceleration	Marian St Theatre* (20 year loan)
Base Case		3%									
SRV Option 1	16,500	19%	355	6,700	5,900	1,500	1,460	940			
SRV Option 2	22,600	26%	486	6,700	5,900	2,100	1,460	940	1,700	3,800	
SRV Option 3	26,280	30%	560	6,700	5,900	2,100	1,460	940	2,400	3,800	2,980

Note: Special Rate Variation (SRV) % and \$ are above the rate peg of 3%.

*Loan repayments until expiry with future funding reinvested in infrastructure renewal

C. That Council adopts the rates structure as presented in this report.

D. Subject to part B, commence comprehensive community engagement on the rate rise options described in the Long Term Financial Plan, and include an action to reflect this in the DP&OP.

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E. That Council writes to all residents and groups that made submissions in relation to the draft Community Strategic Plan, draft Resourcing Strategy, draft Delivery Program and Operational Plan and advise them of the outcomes of Council's consideration.

COMMENTS

On the 17 June 2025, Council resolved to commence comprehensive community engagement on the rate rise options described in the Long-Term Financial Plan 2025 – 2035.

Comprehensive engagement took place between 21 July and 1 September 2025, focusing on the four rate increase options outlined in that resolution.

These options were presented in line with the table below:

<i>Option name</i>	<i>Deteriorating Increase</i>	<i>Renew Infrastructure</i>	<i>Renew and Enhance Infrastructure</i>	<i>Renew, Enhance and Expand Infrastructure</i>
Option number	1	2	3	4
<i>PROPOSED RATE REVENUE INCREASE (%)</i>				
Assumed rate peg (%)	3%	3%	3%	3%
Special Rate Variation (%)	0	19%	26%	30%
Total rate increase	3%	22%	29%	33%
<i>ADDITIONAL ANNUAL FUNDING FOR INFRASTRUCTURE RENEWAL (\$m)</i>				
Stormwater and drainage	\$0	\$5.9m	\$5.9m	\$5.9m
Buildings (e.g. halls, amenities and pavilions)	\$0	\$6.7m	\$6.7m	\$6.7m
Recreational facilities (e.g. sports fields, parks, open space)	\$0	\$1.5m	\$2.1m	\$2.1m
Existing footpaths	\$0	\$0.94m	\$0.94m	\$0.94m
New footpaths	\$0	\$0	\$3.8m	\$3.8m
Other infrastructure upgrades (e.g. traffic and transport works)	\$0	\$0	\$1.7m	\$2.4m
St Ives Indoor Sports Centre construction loan	\$0	\$1.46m	\$1.46m	\$1.46m
Marian Street Theatre construction loan and operating subsidy	\$0	\$0	\$0	\$2.98m
<i>PROPOSED 2026/27 AVERAGE RATE ANNUAL INCREASE</i>				
Residential rates	\$52 (or \$1pw)	\$378 (or \$7.27 a week)	\$499 (or \$9.60 a week)	\$568 (or \$10.92 a week)
Business rates	\$173 (\$3.33 a week)	\$1,272 (\$24.46 a week)	\$1,676 (\$32.33 a week)	\$1,907 (\$36.68 a week)

Option 1 (3%) was a 'business as usual' option based on Council's current financial operating model. Rates would only increase in line with the NSW Government rate peg which is available to all NSW councils. This option would result in ongoing average annual deficits of \$2.3 million from 2026/27. This would prevent Council being able to invest additional funds into asset maintenance and renewal, and lead to a significant increase in Council's infrastructure backlog (the cost to bring assets to a new condition) from \$227 million in 2023/24 to \$325 million in 2034/35. As a

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result, the quality of infrastructure would continue to decline, and Council would be required to spend increasing amounts on temporary repairs.

The next three options all involved an SRV (plus the rate peg). An SRV would be a one-time increase that would apply in 2026/27 and become a permanent part of Council's rate revenue base. From 2027/28, rates would increase in line with the rate peg.

Option 2 (a 22% increase) would provide an additional \$16.5 million in annual revenue. This would allow Council to invest extra funds to improve existing stormwater and drainage, community buildings, recreational facilities and footpaths. This would include \$1.46 million a year to fund loan repayments for the construction of the St Ives Indoor Sports Centre. After the loan is repaid in 2031/32, this funding would be reallocated to other infrastructure renewal, mainly recreational facilities and assets. Under this option, Council's infrastructure backlog would reduce to \$175 million in 2034/35.

Option 3 (a 29% increase) would provide an additional \$22.6 million in annual revenue. This would allow Council to deliver all the infrastructure outcomes under Option 2, and provide extra funding for renewal of recreational facilities, new footpaths and other infrastructure upgrades (e.g. traffic and transport works). Under this option, Council's infrastructure backlog would reduce to \$174 million in 2034/35.

Option 4 (a 33% increase) would provide an additional \$26.3 million a year in annual revenue. This would allow Council to deliver all the infrastructure outcomes under Option 3 and provide additional funding for other infrastructure upgrades. This would also deliver \$2.98 million a year to service a \$30.36 million loan to rebuild the Marian Street Theatre and subsidise the theatre's operation. Once this loan was fully repaid in 2045/46, this funding (excluding the operating subsidy) would be redirected to other infrastructure renewal and upgrade works.

Fact sheets about each of the options, as well as Council's Delivery Program and Operational Plan (DP&OP) and Resourcing Strategy (including the LTFP and Asset Management Strategy) were available at www.krg.nsw.gov.au/srv. The Resourcing Strategy provided further information about the financial challenges facing Council, further information about each rate increase option and financial and infrastructure projections.

Raising community awareness of the options

Council undertook a wide range of awareness-raising activities to inform the community about these options. These included mailing a letter and brochure to all ratepayers, bulk emails to ratepayers and community members, promotion via local media advertising, displays in Council venues, social media and outdoor banners.

Independent research found that 60% of the Ku-ring-gai community was aware of the engagement activities. This result is significantly higher than the average result for other NSW councils who have recently sought feedback on rate increases.

A community engagement outcomes report is available at **Attachment A1**.

Representative survey

Council commissioned an independent, randomly-selected survey to measure community sentiment about each of the options. The representative survey involved 400 residents. Because its structure was based on random selection and its results were weighted to match the LGA's adult age and sex demographics, the results are statistically representative¹ of the views of the Ku-ring-gai community. The survey found that:

- When asked to state their level of support for SRV options, 66% were at least somewhat supportive of Option 2, followed by 61% for Option 1, 45% for Option 3 and 28% for Option 4.
- 56% of the community support one of the three SRV options (Options 2-4) as their first preference, compared to 44% who support the rate peg only option (Option 1) as their first preference.

Recruited workshops

Council also held two community recruited workshops in August with 68 randomly selected residents. Participants were presented with information on Council's financial challenges, infrastructure needs and rate increase options before discussing these in small groups.

Each table considered the pros and cons of the options, ranked their preferences, and provided feedback on awareness levels and the structure and timing of the SRV options.

The workshops created an informed, collaborative environment to test community sentiment. Of the ten tables, seven identified a Special Rate Variation option as their preferred choice, with three favouring Option 2, three favouring Option 3 and one favouring Option 4.

Further information about the outcomes of the recruited workshops is provided in the community engagement outcomes report (**Attachment A1**), and the full report on the representative survey results is available at **Attachment A2**.

Opt-in (self-selected) survey and forums

As part of the consultation process, community members were invited to complete a version of the survey. Council received 4,515 responses. The results are not statistically representative of the overall community (only 5% of respondents were aged under 35, compared to 21% for the representative survey and the demographic profile of the area).

While the results are not statistically representative of the overall community, they illustrate the views that engaged members of the community have on the rate increase options. Results from the opt-in survey were that:

- When respondents were asked to state their level of support for each option, 67% said they were at least somewhat supportive of Option 1, ahead of 44% for Option 2, 29% for Option 3 and 18% for Option 4.

¹ A sample size of 400 residents provides a maximum sampling error of plus or minus 4.9% at 95% confidence. This means that if the survey was replicated with a new sample of N=400 residents, 19 times out of 20 we would see the same results within a margin of +/- 4.9%.

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- 60% of respondents ranked the rate peg only option (Option 1) as their highest preference, and 40% of respondents ranked one of the three SRV options as their highest preference.

The full report on the opt-in survey results is available at **Attachment A3**. Page 7 of the report compares the snapshot results from the opt-in survey with those from the representative survey.

Public forums and drop-in sessions

During July and August Council also hosted an in-person engagement forum in the Gordon Council Chambers, an online forum and two drop-in sessions at the Gordon Library and St Ives Shopping Centre. Council staff presented the rate rise options in detail, and the community was given the opportunity to ask questions, provide feedback, and share comments. Further information about these engagement events is provided in the community engagement outcomes report (**Attachment A1**).

Written submissions

In addition, Council received more than 570 written submissions. It should be noted that some of the emailed submissions may have been duplicated by individuals and sent from different accounts.

Thematic feedback on the submissions

Across both the representative and opt-in surveys, a couple of core themes emerged regarding the options:

- Respondents who supported a rate increase generally did so because they believed it was necessary for maintaining and renewing infrastructure.
- Those who opposed the increase felt that Council should make better use of its existing funds or were concerned about the affordability and cost of living impacts of higher rates.

Council has undertaken an analysis of the most mentioned themes in submissions and the recruited workshops:

- Responses suggesting that Council reduce services and costs to fund infrastructure instead of increasing rates
- Concern about affordability and cost of living impacts of a rate increase
- Support for the Marian Street Theatre was divided, with feedback both for and against funding for the project
- A perception that Council needs a greater focus on efficiency and cost containment
- Council should have considered a rate increase option between 3 and 22%
- Council should provide more detail about how revenue has been spent, and how future funds will be allocated.

Responses to the thematic feedback have been prepared and provided at **Attachment A4**.

Proposed amendments to integrated planning and reporting documents.

In response to the above issues, and other responses received through the consultation process, Council has proposed the following clarifications and amendments to the Long Term Financial

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Plan, Delivery Program and Operational Plan and the Asset Management Strategy where appropriate.

Revised Delivery Program and Operational Plan

The DP&OP is the primary reference point for all activities undertaken by council during its term of office. The DP&OP has been updated as follows:

- Included reference to the preferred SRV option which is a 30.4% rate increase for 2026/27 and the benefits of this option (section Proposed Special Rate Variation).
- Revised the Financial Summary, and Summary of Capital Works Program and Operational Projects in this document to reflect the preferred rate rise option (Option 3) for 2026/27 to 2028/29.

The revised DP&OP is provided at **Attachment A5**.

Revised Long Term Financial Plan

The Long-Term Financial Plan is a ten-year rolling plan that informs decision-making and demonstrates how the objectives of the DP&OP will be resourced and funded.

The LTFP has been revised to include two scenarios, Base Case scenario and **Option 3 – Renew and Enhance Infrastructure**, identified as the preferred option outlined below. Other updates are also provided for information. The revised LTFP is provided at **Attachment A6**.

Revised rate peg for 2026/27

On 30 September 2025, the Independent Pricing and Regulatory Tribunal (IPART) announced that Ku-ring-gai Council's approved rate peg for 2026/27 will be 4.4%.

The rate peg is the annual increase in general income intended to cover Council's projected increases in operational costs due to inflation, population growth and other factors.

The exhibited rate increase options, as communicated to the community, included an **assumed** rate peg of 3% for 2026/27.

It is recommended that the overall rate increase for 2026/27 be calculated using the actual IPART rate peg (4.4%) combined with the exhibited SRV amount for the preferred option. This is consistent with how the rate peg component was communicated during public consultation.

Recommended rate rise option

Following a comprehensive review of the financial options and community feedback, it is recommended that Council progress with **Option 3 – Renew and Enhance Infrastructure**.

The total one-off rate increase to apply in 2026/27 would be 30.4%. This amount would be comprised of a rate peg component of 4.4% and an SRV component of 26.0%.

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If implemented, this increase would apply in 2026/27. Average annual residential rates are projected to increase by about \$523 (\$10.06 a week), and average business rates would increase by about \$1,757 (\$33.79) a week.

The SRV increase would remain in Council's rate revenue base on a permanent basis. From 2027/28 onwards, rate revenue would only increase in line with the annual rate peg.

Option 3 is recommended because it represents the best balance between achieving necessary asset management outcomes, addressing community priorities and impact on ratepayers:

- It would allow Council to meet community expectations set out in the Community Strategic Plan and make Ku-ring-gai a better place to live and work by providing infrastructure that is more accessible, connected, modern, safe and enjoyable.
- It would deliver a noticeable and significant improvement in the quality of Council's infrastructure, specifically in the areas of stormwater and drainage, community buildings, recreational facilities, footpaths, and traffic and transport-related infrastructure.
- It specifically targets infrastructure areas that the community has identified as high importance, lower levels of satisfaction – specifically condition of existing footpaths, new footpaths and traffic management.
- It would provide the necessary funding for the construction of the St Ives Indoor Sports Centre.
- This option received substantial support during the exhibition process, with 45% of the community at least somewhat supportive of this option.
- It aligns with the principle of inter-generational equity by ensuring the current generation does not burden future generations with the increased costs of deteriorating infrastructure and temporary repairs.
- The impact on ratepayers has been tested under a capacity-to-pay analysis (see further information later in this report) and would be implemented alongside careful consideration of hardship applications, consistent with Council's rates policy addressing hardship.

Other key financial outcomes reflected in the LTFP under the preferred Option 3 are:

- The infrastructure backlog is projected to decrease by 40%, from \$194 million in 2025/26 to \$116.5 million in 2034/35, resulting in a noticeable improvement in the condition of local assets.
- Council is expected to achieve average annual operating surpluses of \$19.5 million, which can be reinvested into infrastructure.
- Asset renewals are forecasted to align with depreciation, supporting sustainable long-term asset management.
- In contrast, under the Base Case (rate-peg only option), the backlog would grow to \$274 million by 2034/35, average annual deficits of \$1.59 million would be recorded, and the condition of infrastructure would continue to decline.

Other changes to the revised LTFP include:

- Updated financial and infrastructure information, based on the confirmed 2026/27 rate peg and updated infrastructure backlog and condition information from the latest 2024/25 audited financial statements.
- Provided clarifications to the allocation of funding between different infrastructure categories and future projects, i.e. from “Other Infrastructure” to “Traffic and Facilities”
- Updated average rate increase tables by residential and business ratepayer classes for the coming four years, under the preferred rate increase
- Allowed additional expenditure from rates growth to support expansion of services and infrastructure for a growing population from housing reforms
- Included comments on capacity to pay information.

Asset Management Strategy

The Asset Management Strategy (AMS) sets the direction for how Council will plan, deliver, maintain, renew assets to achieve the objectives outlined in the LTFP. A new AMS is provided at **Attachment A7** and confirms the reduction in the infrastructure backlog for footpaths, stormwater and drainage, recreational facilities, buildings and road structures.

The AMS includes substantial changes to better demonstrate how it addresses community priorities and compares the infrastructure impacts of the base case and the preferred SRV option (a 30.4% rate increase).

It is now a more strategic, high-level document, and further technical details about asset conditions, service levels, valuations, risk management and asset programs will now be included in the supporting Asset Management Plans (AMPs). The AMPs for the following asset classes are currently under review and will be presented to Council at the December meeting:

- Road and transport assets
- Footpaths
- Stormwater drainage
- Parks and recreational assets
- Buildings assets

Indicative project list

To provide the community with a better understanding of the benefits that the increased revenue would deliver, Council will release an indicative list of infrastructure projects that could be funded through preferred rate increase over the next ten years (see **Attachment A8**). This will be published to Council’s engagement portal as a supporting document alongside the revised DP&OP and Resourcing Strategy on exhibition.

Note that the project list itself will not be exhibited, and any submissions received that specifically refer to individual projects will be advised that the actual program of capital works for 2026/27 (and subsequent years) will be revised as part Council’s annual planning and budgeting process, and public consultation on a schedule of projects will be undertaken in April-May 2026 during the exhibition of the next Delivery Program and Operational Plan.

Capacity to pay analysis

Under the NSW Government's SRV guidelines, councils must demonstrate any proposed rate increases are affordable having regard to capacity to pay. Council has commissioned an independent analysis of the capacity of residential ratepayers to afford each of rate increase options exhibited from July-September 2025.

Overall, the report demonstrates that there is capacity to pay the preferred rate increase.

Indicators in favour of a capacity to pay include the fact the Ku-ring-gai LGA has:

- among Australia's highest levels of advantage and lowest levels of disadvantage, when using the Australian Bureau of Statistics' Socio-Economic Indexes for Areas (SEIFA) score.
- a lower proportion of vulnerable households, pensioners and people requiring additional assistance compared to Greater Sydney
- a lower proportion of income spent on rates (according to 2021 Census data) and a higher proportion of full home ownership compared to Greater Sydney
- an increase in household savings from 2018/19 to 2023/24, compared to a reduction in savings across Australia during the same period
- three ratepayers subject to Council's hardship policy as at end of 2024/25.

Indicators that show pressure on capacity to pay include:

- a higher proportion of households paying mortgages, and overall levels of mortgage stress, compared to Greater Sydney
- a lower proportion of working age individuals compared to Greater Sydney
- the percentage of outstanding rates has increased over the past 3 years and sits above the benchmark level of 5% in 2024/25.

The report also notes that if any of the SRV options were implemented in 2026/27, then the average residential rate would move from the 8th highest in Sydney metropolitan and metropolitan fringe councils to 3rd or 4th. It is noted that average residential rates in Ku-ring-gai reflect larger property lot sizes and revenue for Council overall is reduced by low business rate revenue.

For business ratepayers, average business rates in Ku-ring-gai have historically been well below the average for comparable councils. A 30.4% rate increase would lift the average rates in Ku-ring-gai slightly above the average rate for all councils. This, combined with healthy local industry indicators and low outstanding business rates demonstrates capacity to pay the preferred rate increase.

The capacity to pay report is provided at **Attachment A9**.

Cost containment and efficiency

Under the NSW Government's guidelines, council applications for an SRV must explain and quantify the productivity improvements and cost containment strategies they have realised in past years and plans to realise over the proposed special variation period.

Council historically operates as a lean and efficient organisation, consistently outperforming most metropolitan councils in key financial metrics:

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- In 2023/24, Council's operating expenditure per capita was \$1,215, 16% lower than the Sydney average of \$1,441. This suggests Council is delivering services in a more cost-effective manner than the average across Sydney.
- For urban metropolitan councils, lower expenditure per kilometre of road suggests efficiency in maintaining infrastructure and providing related services. Ku-ring-gai's operating expenditure per km of road was \$320,000 in 2023/24, which is 32% below the metropolitan average of \$476,000 per km.
- In 2023/24, each Ku-ring-gai Council staff member serviced 309 residents, the second highest ratio among Sydney councils and significantly above the Sydney average of 235 residents. A higher ratio typically points to greater staff efficiency, with fewer staff responsible for serving a larger population.
- Council's average annual cost increase since 2017/18 is the 4th lowest in Sydney, which indicates that Council is successfully containing its costs while continuing to maintain service levels to the community.

Council's approach to financial management and efficiency is structured around five key elements:

- Financial management and governance: Council operates under a stringent legislative and regulatory framework which ensures responsible and sustainable spending.
- Optimisation of revenue: Seeking opportunities to increase revenue from diverse sources to minimise the financial burden on ratepayers.
- Service improvement review program: Targeted reviews to reallocate resources, streamline business processes, and benchmark operations against best practices and other councils to identify areas for improvement and efficiency.
- Ongoing business improvements: Other initiatives to streamline processes, reduce unnecessary administration and waste, and innovations to maintain levels of services within available budgets, and free up funding and staff time.
- Tracking and reporting performance: Public reporting on key financial, efficiency and productivity measures, progress of service improvement reviews and delivery of other business improvements.

Service improvement review program

Council is dedicated to providing high-quality, efficient and responsive services that continually meet the evolving needs of the community, and the Service Improvement Review Program is a crucial component of its broader cost containment and efficiency efforts. The following service improvement reviews are currently underway or have been completed in 2024/25:

- Communications and engagement: A key finding from the review was that staffing levels of the Corporate Communications team are lower compared to other benchmarked councils and the unit is operating with a leaner communication and engagement function relative to its peers.
- Maintenance of sportsfields: The review highlighted that material and contract costs have increased significantly over the past three years (primarily due to rising contractor expenses and electricity), but that employee costs have remained stable. Comparisons with Northern Sydney Regional Organisation of Councils (NSROC) members revealed that Ku-ring-gai provides a significantly higher number of turf fields per resident, and that operational costs per hectare and per field are amongst the lowest in the region.

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- Development application (DA) assessment service: The review found that resourcing levels were comparable to other councils but may not be sufficient to meet increasing workload and the requirement to reduce assessment times in the coming years.

Recommendations arising from each of these reviews are being implemented, and progress and the outcomes will be published in Council's Annual Reports.

Targeted reviews of Councils compliance and regulatory functions and community development programs are currently being completed, and reviews of environment and sustainability programs and libraries are commencing in late 2025.

Council continues to focus on improving efficiency, with further detail on savings, productivity, and revenue measures outlined in the Long-Term Financial Plan, along with the comparative data information described above.

Hardship and concessions

Council is committed to ensuring that the proposed rate increase does not create undue financial hardship for vulnerable residents. Council's *Rates, Charges and Sundry Debts – Assistance, Concessions and Recovery Policy* (available on Council's website) provides a framework for offering flexible payment arrangements and assistance to ratepayers experiencing financial difficulty.

The policy recognises that ratepayers may at times have difficulty paying their rates and charges and outlines the steps and processes Council will consider in these circumstances. As at the end of 2024/25, three ratepayers were taking advantage of the provisions under this policy.

If Council progresses with a SRV, Council will continue to carefully implement this policy. In addition, Council will make the policy more accessible on the website.

Council also provides financial relief to eligible pensioners by reducing rates, charges and interest on properties occupied as their principal residence. This includes a statutory annual concession of up to \$250 provided under the Local Government Act. Council also provides a voluntary concession of 8.5% of total rates and charges. This translates to an additional average concession of \$146 in 2025/26.

Next steps

It is recommended that Council endorse a 30.4% rate increase (comprised of a rate peg component of 4.4% and an SRV component of 26.0%) as its preferred 2026/27 rate increase option, and exhibits a revised DP&OP, LTFP and AMS that reflect this option.

If Council resolves an alternative SRV option, it is recommended that the General Manager be delegated authority to update the attached plans to reflect the preferred rate increase option prior to exhibition.

If Council resolves to proceed with any SRV option, Council will notify IPART of its intent to lodge an application in early 2026, subject to public exhibition and resolution of Council.

Following public exhibition process, a report will be prepared for the December 2025 Ordinary Meeting of Council. This would report on submissions received during the public exhibition period,

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seek for Council to adopt the revised DP&OP and Resourcing Strategy, and resolve to submit a SRV application to IPART (due 2 February 2026).

IPART is expected to independently exhibit and seek feedback on any SRV applications it has received in February-March 2026, before making a decision on these applications around May 2026. If approved, the SRV would be reflected in rates notices issued in July 2026.

INTEGRATED PLANNING AND REPORTING

Leadership and service excellence

Community Strategic Plan Strategy	Delivery Program Term Achievement	Operational Plan Action
A1 - Strategically plan, manage and fund public infrastructure and assets to meet the needs of the community, defined levels of service and intergenerational equity L2: Support the long-term financial sustainability of Council through sound financial and asset management.	A1.1: Plans are in place to effectively fund public infrastructure and assets to meet the needs of a growing and changing population. L2.1: Council takes action towards financial sustainability	L2.3.2: Review the Asset Management Strategy, policy and plans and align with Council's infrastructure priorities. L2.1.1: Council commences comprehensive community engagement on rate rise options described in the Long Term Financial Plan. L2.1.3: Review the Long Term Financial Plan and identify options such as a special rate variation to maintain financial sustainability.

GOVERNANCE MATTERS

The process for seeking an SRV and the amendment of Council's plans are governed by specific provisions of the Local Government Act 1993 and the Office of Local Government's Integrated Planning and Reporting (IP&R) Framework.

Under sections 404 and 405 of the Act, Council must have a Delivery Program detailing the principal activities to be undertaken to perform its functions (including implementing the strategies set out in the Community Strategic Plan) within the limits of the resources available under the Resourcing Strategy. Council must have an annual Operational Plan details the activities and actions to be undertaken during that year to achieve the commitment in the Delivery Program. A draft Delivery Program and Operational Plan must be publicly exhibited for a minimum of 28 days and Council must consider all submissions received before adopting the final plan. Significant amendments to a Delivery Program and Operational Plan must be re-exhibited.

Under section 403 of the Act, Council must have a long-term Resourcing Strategy for the provision of the resources required to perform its functions. In accordance with IP&R requirements, the key underlying assumptions on which the LTFP is based, and the projected income and expenditure, balance sheet and cash flow statement contained in the Long-Term

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Financial Plan must be reviewed. The LTFP must be publicly exhibited for at least 28 days and submissions received by the council must be considered before the final plan is adopted.

Sections 508A and 508(2) of the Act outline relevant legal provisions for SRV applications. IPART assesses and determines SRV applications by councils under powers delegated to it by the Minister. The Office of Local Government (OLG) *Guidelines for the Preparation of an Application for a Special Variation to General Income* set the criteria against which applications will be assessed, and councils must take these guidelines into consideration before applying for an SRV. Under the Guidelines, IPART must assess each SRV application against the following criteria:

- The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the SRV) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, LTFP and Asset Management Strategy or plans (where appropriate).
- Evidence that the community is aware of the need for and extent of a rate rise.
- The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation.
- The relevant IP&R documents must be exhibited (where required), approved and adopted by Council before it applies to IPART for an SRV.
- The IP&R documents or Council's application must explain and quantify the productivity improvements and cost containment strategies Council has realised in past years and plans to realise over the proposed SRV period.
- Any other matter that IPART considers relevant.

IPART's 2026/27 *Guidance Booklet for Councils on Special Variations: How to Apply* provides further details for Councils on how to apply for an SRV in accordance with the OLG Guidelines.

RISK IMPLICATION STATEMENT

The key risks that arise from recommendations in this report and related internal controls are currently recorded, described and managed within Council's risk register.

If Council does not progress an SRV, then 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 an increasing cost from temporary repairs. Council will be unable to maintain and renew existing infrastructure to meet community needs, and will be unable to meet statutory finance and asset management benchmarks.

FINANCIAL CONSIDERATIONS

The preferred rate increase option (Option 3) will deliver an additional \$22.6 million for investment into infrastructure renewal and new infrastructure. The preferred scenario will enable Council to generate average operating surpluses of \$19.5 million (excluding capital grants and contributions) to re-invest into new infrastructure and existing infrastructure renewal and upgrades. For further information, see the revised LTFP at **Attachment A6** and revised AMS at **Attachment A7**.

SOCIAL CONSIDERATIONS

Additional investment in new and upgraded infrastructure under an SRV would deliver a range of social benefits for the Ku-ring-gai community, including the following:

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- Improved recreational facilities and the St Ives Indoor Sports Centre would enhance opportunities for indoor and outdoor sport and physical activity
- Improved community buildings would be safer, more accessible for people with mobility limitations and provide greater opportunities for community members to connect and take part social activities.
- Improved footpaths would promote walkability for safe and easy access to local shops, services and public transport and reduce trip hazards and risk of injury.
- Pedestrian and traffic safety improvements (e.g. crossings, turn bays) would improve walkability, reduce accidents and improve access to bus stops.
- Increased investment in infrastructure would support the local economy through job creation and the use of local suppliers for construction and renewal projects.

However, Council acknowledges the financial and social impact of an increase in rates and contribution to general cost-of-living pressures. The capacity to pay analysis (see **Attachment A9**) indicates that the LGA has the financial resilience to absorb the increase, and Council's hardship policy and pensioner concessions provide a financial safety net for vulnerable residents.

ENVIRONMENTAL CONSIDERATIONS

Additional investment in new and upgraded infrastructure under an SRV will support environmental outcomes, including the following:

- Stormwater and drainage upgrades reduce local flooding and property damage while also mitigating erosion and pollution runoff into local creeks and waterways.
- Investment in water recycling and irrigation improvements at recreational facilities.
- More energy-efficient community buildings will reduce energy consumption and greenhouse gas emissions.
- New and improved footpaths and pedestrian safety improvements will encourage walking and active transport.

COMMUNITY CONSULTATION

See **Attachments A1 - A3** for detailed overview of communication and engagement activities undertaken and the results of community engagement on the rate increase options from July-September 2025.

Looking forward, it is proposed that the revised Delivery Program, Long Term Financial Plan, Asset Management Strategy and Policy be exhibited for 28 days as soon as practicable following the October meeting. Community awareness of the exhibition process will be supported by:

- A dedicated *Your Say* page on Council's website, including the revised DP&OP, LTFP and AMS, an indicative project list, fact sheets, frequently asked questions and other supporting information
- Responding directly to all participants who registers / participated in engagement activities
- Promotions through local media, Council website and e-newsletters

Members of the community will be invited to provide submissions during the public exhibition process.

INTERNAL CONSULTATION

The development and refinement of the SRV options and revised Integrated Planning and Reporting (IP&R) documents was undertaken through extensive consultation across the organisation. The senior leadership team provided oversight and approved the preferred SRV option. Expert advice and relevant approvals were provided by Finance, Governance and Strategic Planning, Assets and Technical Services and Corporate Communications teams.

Financial challenges, options and funding priorities have been workshopped with Councillors, and Councillors have been briefed on community engagement planning and outcomes throughout the process.

SUMMARY

Council has undertaken extensive engagement on four rate increase options. Community feedback is generally in support of a Special Rate Variation (SRV) to improve local infrastructure. Council has also examined the capacity of ratepayers to afford a rate increase.

It is recommended that Council resolves to progress a 30.4% rate increase as its preferred scenario for 2026/27 and exhibits a revised set of Integrated Planning and Reporting (IP&R) documents that reflect this scenario.

This rate increase option will deliver an additional \$22.6 million in rate revenue (above the rate peg) from 2026/27 onwards, and fund significant improvements to community buildings, stormwater and drainage, recreational facilities, footpaths and traffic and transport facilities, and repayments on the construction loan for the St Ives Indoor Sports Centre. This investment will result in a 40% decrease in Council's infrastructure backlog by 2034/35.

RECOMMENDATION:

That Council adopt for exhibition a revised Delivery Program and Operational Plan, Long Term Financial Plan and Asset Management Strategy as attached to this report, which incorporates a rate increase of 30.4% (including a Special Rate Variation of 26% and rate peg of 4.4%) to apply in 2026/27, with rates to subsequently increase by the annual rates peg in future years.

Angela Apostol
Director Corporate

Peter Lichaa
Director Operations

Attachments:	A1	Rate increase options: Community Engagement Outcomes Report	2025/248623
	A2	Results of Representative Survey of Rate Increase Options (Micromex)	2025/305138
	A3	Results of Opt-in Survey of Rate Increase Options (Micromex)	2025/305136
	A4	Responses to key feedback themes	2025/289872
	A5	Delivery Program 2025 - 2029 and Operational Plan 2025 - 2026 - Revised Oct 2025 - changes highlighted	2025/330725

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A6	Long Term Financial Plan 2025-2035 (Amended October 2025)	2025/271683
A7	Asset Management Strategy 2025-2035 - Revised Oct 2025	2025/328375
A8	Indicative list of projects to be funded by preferred rate increase (including rate peg) over ten years	2025/329634
A9	Analysis of Capacity to Pay Report (Morrison Low Advisory)	2025/316761