



# Capacity to Pay

Tenterfield Shire Council

October 2022



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## Executive summary

Tenterfield Shire Council (“Council”) is currently exploring a special rate variation (SRV) to ensure financial capacity to maintain existing service levels into the future. Therefore, Council is currently in the process of reviewing the potential impact on the community of an SRV. This report emphasises the capacity to pay principle, given that some ratepayers have more ability to pay rates than others.

This report provides an analysis and evaluation of relative wealth and financial capacity; it looks at the financial vulnerability and exposure of different community groups within the local government area (LGA). The key findings are summarised in Table 1.

**Table 1 Area summary**

Area	Findings
Tenterfield	<ul style="list-style-type: none"> <li>Highest proportion of retirees, but lowest proportion of pensioner assessments</li> <li>Highest proportion renting</li> <li>Highest proportion of vulnerable households.</li> </ul>
Liston-Urbenville – Rural North	<ul style="list-style-type: none"> <li>Highest proportion of working age population</li> <li>Highest levels of equivalised household income</li> <li>Highest unemployment rate.</li> </ul>
Drake – Rural South	<ul style="list-style-type: none"> <li>Largest proportion of fully owned homes, lowest proportion mortgaged</li> <li>Lowest levels of equivalised household income</li> <li>Highest proportion of pensioners assessments.</li> </ul>

Tenterfield Shire LGA has some of the lowest rates amongst NSW group 10 large rural councils. When comparing to six similar councils, Tenterfield Shire sits towards the bottom. Additionally, when analysing against these six similar councils, total rates revenue as a percentage of total operating expenditure, for the LGA is only 16%, well below most comparable councils.

During our review, we also noted that Tenterfield Shire has a relatively low proportion of outstanding rates at 4.4% (2021), ranking 5th best amongst all group 10 large rural councils. In 2022, this dropped further to 4.0%, a strong indicator of both capacity and willingness to pay rates especially given that the benchmark for outstanding rates is less than 10% for regional and rural areas.

However, it was observed that the LGA experiences significant levels of disadvantage. This is demonstrated most clearly through indicators such as equivalised household income (77% of the LGA within the lowest two quartiles) and SEIFA indexes, which rank the LGA in the 11th (IRSD) and 12th (IRSAD) percentiles when measuring socio-economic disadvantage and advantage. Countering this is the high proportion of fully owned homes (50%) relative to NSW regional averages, and relatively low values when it comes to monthly mortgage repayments.

It is estimated that average residential rates will increase by \$5 per week over what they would under normal rate increases in 2023/24, and a further average rise of \$8 per week in 2024/25. At the end of the two years, average residential rates will be \$722 higher per property than if there was no SRV.

Farmland rates are estimated to increase by an average of \$12 in the first SRV year, and a further \$18 per week in the second year (estimated average two year impact will be \$1,585 per property). Business rates are

estimated to increase by an average of \$7 per week in the first SRV year, an average of a further \$10 per week (estimated average two year impact will be \$856 per property).

Further, Council proposes increases to annual charges for water, sewer and waste (\$4 in the 2023/24 financial year, and a further \$3 per week in the 2024/25 financial year).

Council should ensure that it acknowledges disadvantage within the community when bringing rates revenue up to levels similar to other group 10 large rural councils, and to the level required to service the community. This would include ensuring that the SRV increases are supported by Council's rates hardship policy.

## Introduction

Tenterfield Shire Council is currently exploring an SRV to ensure that it can maintain existing service levels into the future. A number of factors are considered when determining the size and need for an SRV including, equity, efficiency and capacity to pay. This report puts due emphasis on the capacity to pay principle given that some ratepayers have more ability to pay rates than others.

This report provides an analysis and evaluation of relative wealth and financial capacity; it looks at the financial vulnerability and exposure of different community groups within the LGA.

Key considerations include:

- regions of social disadvantage
- particularly vulnerable groups of individuals
- patterns of household expenditure.

These findings will then be compared to proposed rate increases to identify whether there are any groups or individuals that are being particularly impacted and/or marginalised.

Data for this review was obtained from the following sources:

- Australian Bureau of Statistics, *2016 and 2021 Census Data*, 'Data by Regions'.
- Profile ID – Tenterfield Shire Council community/economic profiles.
- Remplan – Regional Development Australia Northern Inland profiles
- National Institute of Economic and Industry Research (NEIR) 2021.
- Housing and Homelessness Policy Consortium (ACT Shelter, ACTCOSS, Women's Centre for Health Matters, Youth Coalition of Act), February 2016, *Snapshot: Housing stress and its effects*.

## Background

Tenterfield Shire Council is divided into three regional areas. Council is looking to ensure that through the special rates variation process, community groups are not significantly disadvantaged, and that relative equity is promoted as each region has differing economic and socio-economic profiles. A summary of the areas using 2021 Estimated Resident Population<sup>1</sup> (ERP) has been provided in the following Table 1 and Figure 1.

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<sup>1</sup> Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented in profile.id by .id.

**Table 2 Tenterfield Shire Council area summary**

Geographical area	Population (2021)	Suburbs
Tenterfield	4,069	Most of the locality of Tenterfield, with the remaining small part located in the Drake - Rural South small area.
Liston-Urbenville – Rural North	1,195	Acacia Creek, Amosfield, Bookookoorara, Boonoo Boonoo, Boorook, Carrolls Creek, Cottonvale, Cullendore, Koreelah, Legume, Liston, Lower Acacia Creek, Maryland, Rivertree, Ruby Creek, Undercliffe, Upper Tooloom, Willsons Downfall and Wylie Creek, parts of Urbenville and Woodenbong, small section of Tabulam.
Drake – Rural South	1,535	Back Creek, Bolivia, Drake, Drake Village, Dumaresq Valley, Forest Land, Jennings, Mingoola, Mole River, Rocky River, Sandy Flat, Sandy Hill, Silent Grove, Tarban, Timbarra, Torrington and Woodside, parts of Deepwater, Emmaville and Stannum, most of Tabulam, small part of Tenterfield.
<b>Total LGA</b>	<b>6,799</b>	

**Figure 1 Tenterfield Shire Council areas**



## Methodology

Our methodology in examining the relative wealth between the different areas focuses on the following:

- **Areas of social disadvantage**

We will first look into the different characteristics and make up of each area to determine whether there are any particular areas of social disadvantage. This will include an investigation into:

- the age structure of each region
- the typical make up of each household
- household income, including the effect of dependants
- SEIFA rankings.

- **Particularly vulnerable groups of individuals**

We will then investigate whether there are any particular groups within each area that, despite the overall wealth of the area, would be particularly vulnerable and affected by a change in rates. These include:

- property owners
- persons who have or need core assistance
- individuals who are currently unemployed
- analysis of household mortgage repayments
- pensioners.

- **Patterns in household expenditure**

We will then examine trends in household expenditure and discuss what impacts they may have on an individual's ability to pay.

We will then compare these findings to the proposed rating variation to determine whether there are any particular groups or individuals that would be significantly impacted.



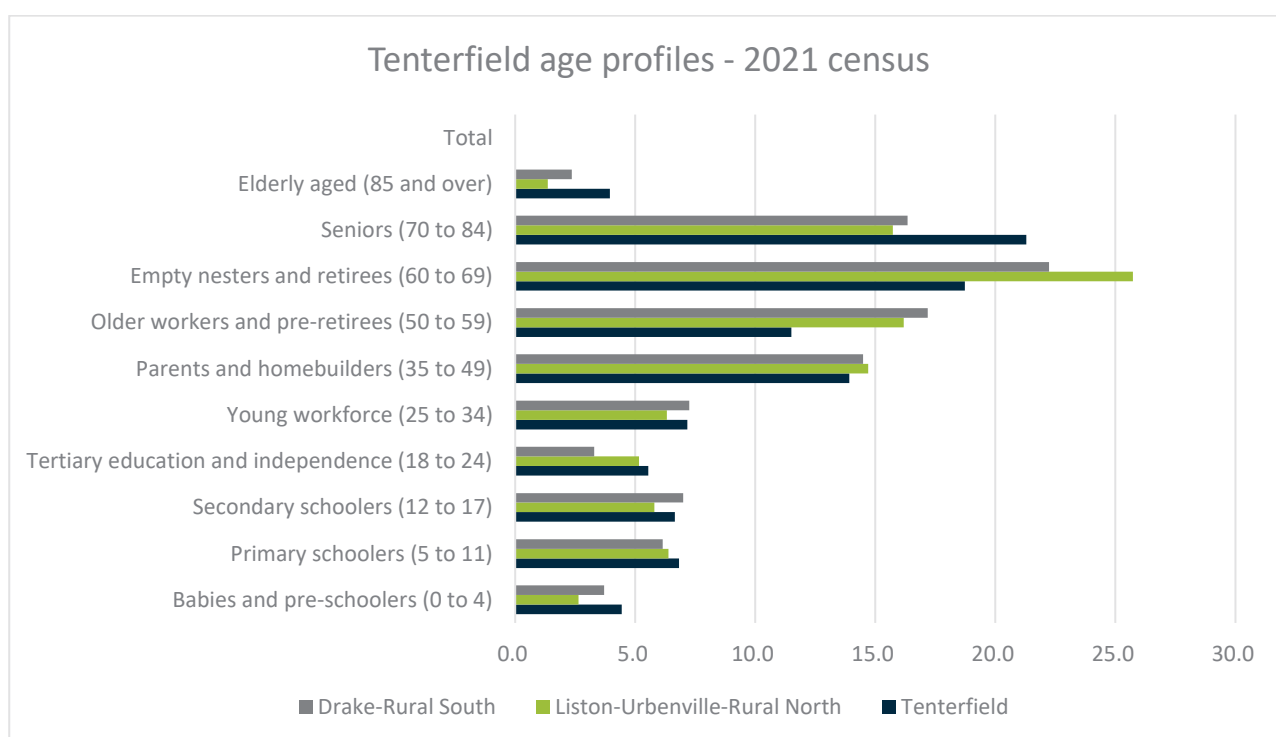
## Areas of social disadvantage

Each area has differing demographic characteristics and we first want to identify ‘who are the people’ that make up each area, ‘what do they do’ and ‘how do they live’.

### Age profiles by region

Data has been broken into groups which are reflective of typical life stages. This provides insight into the number of dependants, size of the workforce and number of retirees in each area.

**Figure 2 Age profiles by region<sup>2</sup>**



Grouping these results in terms of the following categories (dependants, workforce, and retirees) and ranking them in terms of proportion of population (with one representing the largest proportion) generates the following results.

**Table 3 Age profile rankings**

Rank	Tenterfield	Liston-Urbenville-Rural North	Drake-Rural South
Dependents	1	3	2
Working age	3	1	2
Retirees	1	2	3

From these results we observe the following:

Overall the LGA has a high proportion of retirees (44%) relative to Regional NSW averages (29%).

<sup>2</sup> Australian Bureau of Statistics, Census of Population and Housing 2021. Compiled and presented in profile.id by .id.

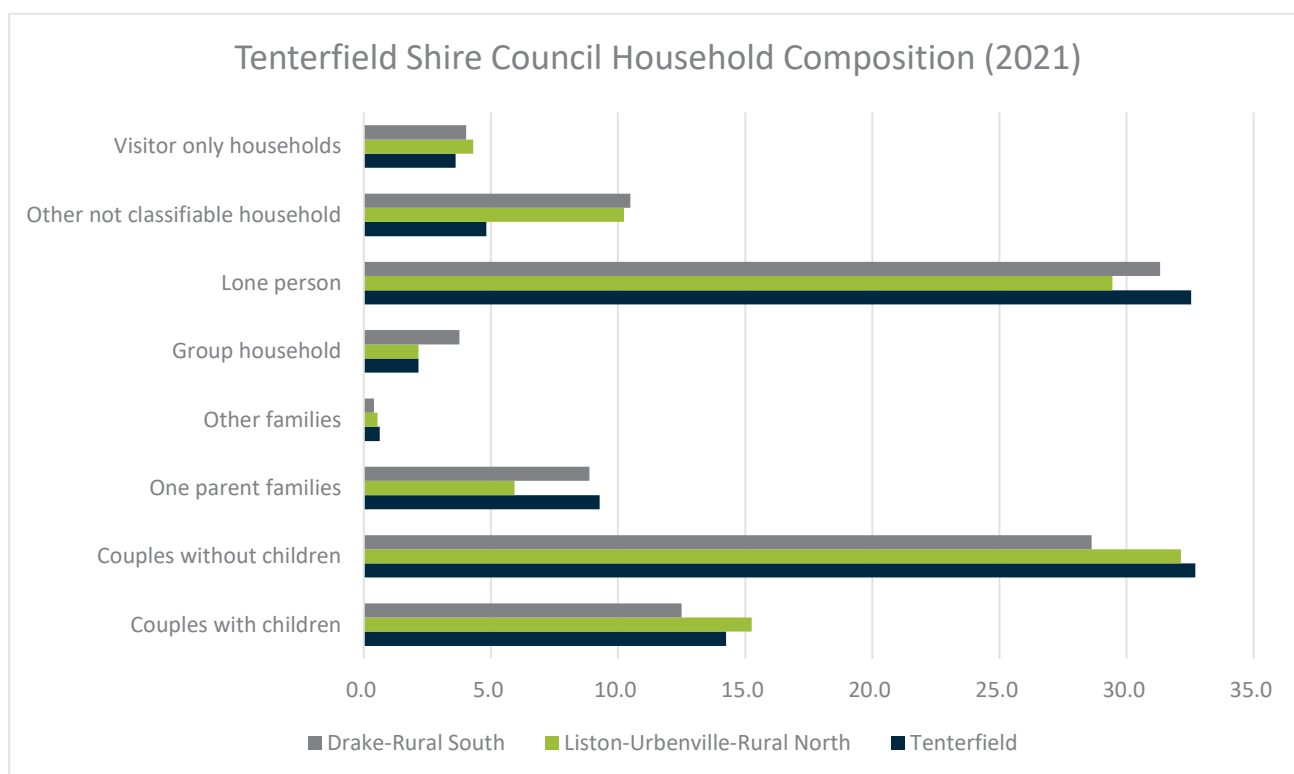
Accordingly, the proportions of dependents (18%) and working age (38%) population are also low relative to NSW averages (22% and 50% respectively). These averages are consistent across the LGA.

It was observed that the Rural Areas to the north (26%) and south (22%) both have relatively high proportions within the empty nesters and retirees brackets (60-79 years old) compared to the LGA as a whole (21%) however as we move into the seniors and elderly age ranges (70+), the proportion shifts, with this age range making up 25% of the population of the Tenterfield area, compared 17% in the north and 19% in the south.

## Household types

Alongside the age structure of each region, it is important to determine the typical trends in the make-up of households. This provides a more complete picture of the people, families and communities in each area. A summary of household type is provided in the figure below.

**Figure 3 Household composition<sup>3</sup>**



The 'lone person' and 'one parent family' households are considered to be more vulnerable to the impacts of rate increases due to a reduced/singular income stream. Combining these categories together into an 'at risk' group shows that the level of at-risk households in the LGA (40%) is close to Regional NSW (37%). There is a slightly higher proportion of at-risk households in Tenterfield area (at 42%) compared to Liston-Urbenville-Rural North (35%). This is due to a higher proportion of Lone person households in Tenterfield (33%) compared to the Regional NSW average of 26%. It is observed that the proportion of one-parent families in the LGA is relatively low at 9% compared to the Regional NSW average of 11%.

<sup>3</sup> Ibid.

## Housing tenure

By observing housing tenure levels in the community, we are able to identify which areas would be most impacted by a change in council rates, i.e. the direct impact of a change in rates will be felt by homeowners, whereas renters may experience an indirect increase/decrease dependant on their lease agreement/decisions of their landlord. Furthermore, individuals in social housing are unlikely to be impacted by a change in rates.

**Table 4 Tenterfield Shire Council housing tenure<sup>4</sup>**

Housing Tenure - % of households	Tenterfield	Liston-Urbenville-Rural North	Drake-Rural South	LGA
Fully owned	49	48	52	50
Mortgage	19	20	16	19
Renting - Total	21	14	9	17
Renting - Social housing	4	1	2	3
Renting - Private	17	14	6	14
Renting - Not stated	0		1	0
Other tenure type	3	5	7	4
Not stated	8	13	16	10
<b>Total households</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The LGA level of resident ratepayers (fully owned plus mortgagees) of 69% is above the Regional NSW average (66%) and well above the average for other councils within the region as identified Regional Development Australia (RDA) Northern Inland average (52%<sup>5</sup>). This level of 69% is consistent across the LGA.

It was noted that the LGA has a very high proportion (50% across the LGA) of households where the home is fully owned. This compares very favourably to Regional NSW average (36%) and the RDA Northern Inland average (30%). Drake-Rural South area has slightly higher proportion as being fully owned (52%, compared with 49% in Tenterfield and 48% in Liston, Urbenville-Rural North).

High levels of fully owned homes are an indicator of greater household wealth, and therefore a greater capacity to pay as they will not be encumbered by mortgage.

## Equivalent household income

Equivalent household income can be viewed as an indicator of the economic resources available to a standardised household. It is calculated by dividing total household income by an equivalence factor. The factor is calculated in the following way:

- first adult = 1
- each additional adult + child over 15 = + 0.5
- each child under 15 = + 0.3.

<sup>4</sup> Ibid.

<sup>5</sup> *Regional Development Australia Northern Inland NSW Remplan Economy*

Dividing by the equivalence factor, household income becomes comparable to that of a lone individual, thereby making households with dependants and multiple occupants comparable to those without. By factoring in dependants into household incomes, we are provided with a better indicator of the resources available to a household.

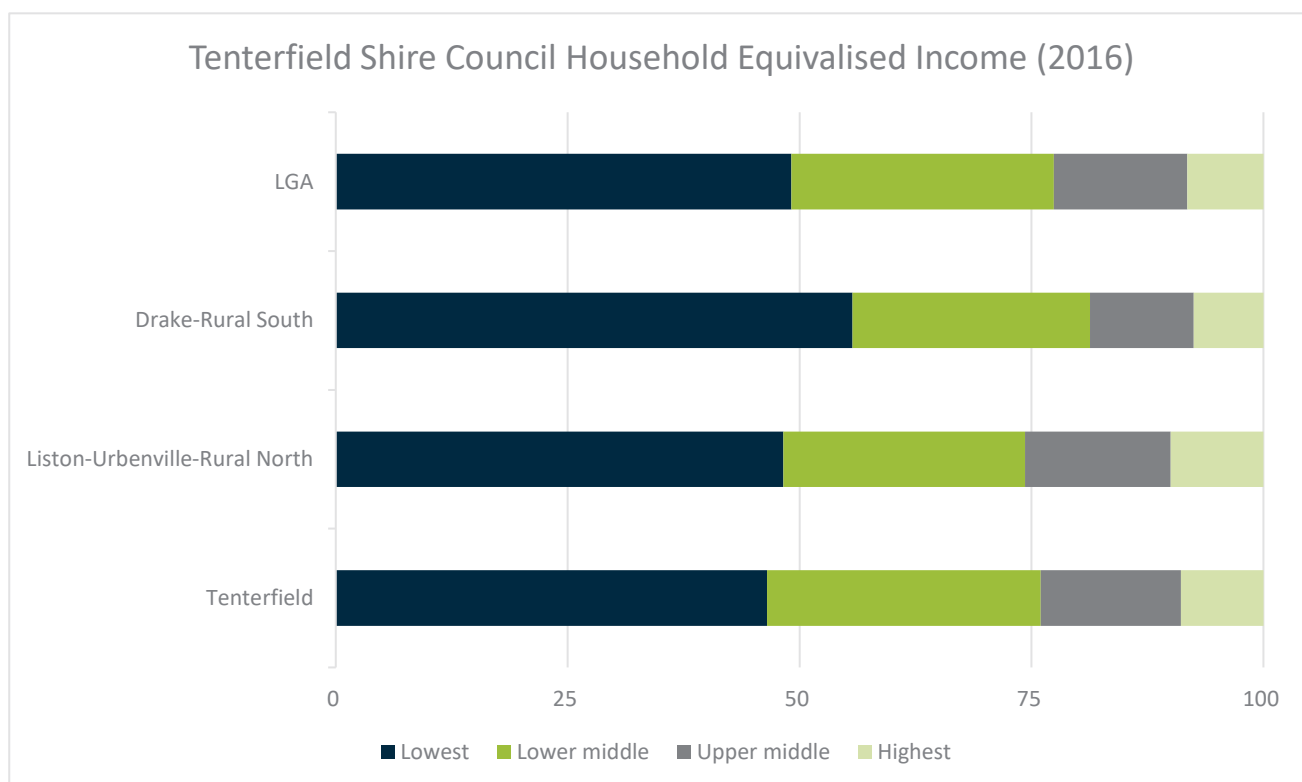
As this is a relative comparison, data has been presented in quartiles. A quartile describes a way of dividing up values into four quarters or intervals; regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within NSW and then dividing them into four equal groups or quartiles.

The data has been presented in ranges for the following equivalised weekly income levels:

- Lowest: \$0 - \$497 – this range is representative of the bottom 25% of all equivalised household incomes in NSW.
- Medium lowest: \$498 - \$891 – this range is representative of the bottom 25% - 50% of all equivalised household incomes in NSW.
- Medium highest: \$892 - \$1,464 – this range is representative of the top 25% - 50% of all equivalised household incomes in NSW.
- Highest: \$1,465 and over – this range is representative of the top 25% of all equivalised household incomes in NSW.

Figure 4 summarises the equivalised household income ranges (2016) for each area.

**Figure 4** Equivalised household income<sup>6</sup>



<sup>6</sup> Australian Bureau of Statistics, Census of Population and Housing 2016. Compiled and presented in profile.id by .id.

We can make the following observations from the 2016 data:

- Drake-Rural South has the region had the highest proportion of households in the bottom two quartiles (81%), and lowest proportions in the middle two quartiles (37%) and highest two quartiles (19%).
- Liston-Urbenville-Rural North has the lowest proportion of households in the bottom two quartiles (74%), and the highest proportion in the highest two quartiles (26%).
- Ranking of areas by greatest disadvantage (percentage of households in lower brackets) are closely followed by each region:
  - 1 – Drake-Rural South      2 – Tenterfield      3 – Liston-Urbenville-Rural North
- Ranking of areas by greatest middle class (percentage of households in middle brackets) are closely followed by each region:
  - 1 – Tenterfield      2 – Liston-Urbenville-Rural North      3 Drake-Rural South
- Ranking of areas by advantage (percentage of households in the highest bracket):
  - 1 – Liston-Urbenville-Rural North      2 – Tenterfield      3 – Drake-Rural South

**Table 5 Regional comparison of equivalised household income<sup>7</sup>**

Quartile Groups (2016)	Tenterfield	Liston-Urbenville-Rural North	Drake-Rural South	LGA	Regional NSW
Lowest	47	48	56	49	31
Lower middle	30	26	26	28	29
Upper middle	15	16	11	14	24
Highest	9	10	8	8	17
<b>Total Households</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

From Table 5 we observe that overall, the LGA has generally low levels of equivalised income. Across the 77% of households are within the bottom two quartiles (regional NSW has 59%, and NSW 50%).

## Socio-economic index

The Socio-Economic Indexes for Areas (SEIFA) is an economic tool developed by the Australian Bureau of Statistics (ABS) to rank areas in Australia according to their relative socio-economic advantage and disadvantage. It takes into consideration a broad range of variables such as income, education, employment, occupation, housing, etc and is standardised such that the average Australian represents a score of 1000.

In our research we explored two of the indexes published by the ABS:

- **Index of Relative Socio-Economic Disadvantage (IRSD)**

This index ranks areas from most disadvantaged to least disadvantaged, i.e. a lower score will have a greater proportion of relatively disadvantaged people in the area.

From this score however you cannot conclude whether a high-ranking area will have a large portion of relatively advantaged people, just that it has a low proportion of disadvantage.

- **Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD)**

<sup>7</sup> Ibid.

This index considers variables of both advantage and disadvantage and, as such, scores and ranks areas from most disadvantaged to most advantaged.

The ABS has also published the variables which have the most impact on both indices, these include:

- IRSD variables of disadvantage:
  - low equivalised household incomes
  - households with children and unemployed parents
  - percentage of occupied dwellings with no internet connection
  - percentage of employed people classified as labourers.
- IRSAD variables of advantage only (disadvantage similar to IRSD):
  - high equivalised household incomes
  - percentage of households making high mortgage repayments
  - percentage of employed people classified as professionals
  - percentage of employed people classified as managers.

Further analysis of these factors is provided in the discussion section. A regional summary, including national percentiles (2016) is provided in the table below.

**Table 6 Regional SEIFA scores and percentiles (2016) <sup>8</sup>**

Area	SEIFA IRSD	Percentile *	SEIFA IRSAD	Percentile
Tenterfield LGA	910.0	11	902.0	12
RDA Northern Inland NSW <sup>9</sup>	950.0	20	not available	not available
Regional NSW	971.0	29	1,040.0	77
New South Wales	1,001.0	45	1,011.0	62
Australia	1,001.9	46	1,003.1	57

\* Percentile is a measure used to show the value on a scale of 100 that the score falls within.

In reviewing the IRSD index (2016), we observe that the LGA has a greater level of disadvantage compared with both the RDA's Northern Inland Region, Regional NSW, NSW and the nation's averages. Tenterfield Shire Council's IRSD score of 910.0 is below Regional NSW (971.0), NSW (1,001.0) and the nation (1,001.9) and places the LGA into the 11<sup>th</sup> percentile. This means that 11% of Australia's suburbs have a SEIFA index lower than this area (more disadvantaged), while 89% are higher.

IRSAD includes levels of both advantage and disadvantage. Tenterfield Shire Council's score of 902.0 is again below that of Regional NSW (959.0), NSW (1,011.0) and the nation (1,003.1) and places the LGA into the 12<sup>th</sup> percentile. This lower score means that there are proportionately lower incidences of advantage throughout the LGA relative to NSW and to Australia. A lower IRSAD score compared to IRSD score is indicative of less opportunities within the LGA, e.g. lower equivalised incomes, lower education levels, fewer employment opportunities within the area, or more unskilled jobs, and housing. It is noted that this data is from 2016, with the latest 2021 SEIFA rankings not expected to be released until 2023.

<sup>8</sup> Ibid.

<sup>9</sup> Regional Development Australia Northern Inland NSW Remplan Economy

**Table 7 Area level SEIFA scores and percentiles <sup>10</sup>**

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Tenterfield	920.0	13	902.0	12
Liston-Urbenville-Rural North	890.4	9	898.1	11
Drake-Rural South	893.7	9	900.7	12

When reviewing SEIFA rankings at an area level, we see the distribution of advantage and disadvantage through the LGA is consistent, albeit with slightly lower levels of disadvantage in the Tenterfield area when compared with the northern and southern areas of the LGA. Additionally, there is consistency between the IRSD and IRSAD scores, indicating fewer instances of advantage within the LGA.

## Vulnerable groups or individuals

This section of the report considers whether there are any spatial patterns of individuals or groups who either need additional community services or are more sensitive to a change in rates.

### Workforce status

The levels of full or part-time employment and unemployment are indicative of the strength of the local economy and social characteristics of the population.

**Table 8 Community workforce status 2016 Census <sup>11</sup>**

Tenterfield Shire - Persons (Usual residence)	Tenterfield	Liston-Urbenville-Rural North	Drake-Rural South	LGA
<b>Total Employed</b>	<b>92.6</b>	<b>90.5</b>	<b>90.9</b>	<b>92.4</b>
Employed full-time	50.9	56.6	52.7	52.9
Employed part-time	38.6	31.1	35.8	36.4
<b>Hours worked not stated</b>	<b>3.1</b>	<b>2.8</b>	<b>2.3</b>	<b>3.1</b>
<b>Unemployed (Unemployment rate)</b>	<b>7.4</b>	<b>9.5</b>	<b>9.1</b>	<b>7.6</b>
Looking for full-time work	4.5	6.3	6.2	4.7
Looking for part-time work	2.9	3.2	3.0	2.9
<b>Total labour force</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Tenterfield Shire Council's overall unemployment rate as at the 2016 Census date was 7.6% (equating to 195 people), above the RDA Northern Inland average of 6.4%, Regional NSW average of 6.6% and NSW average of 6.3%. However, it was observed that the Rural North and Rural South have higher rates at 9.5% (equating to 43 people) and 9.1% (equating to 44 people) respectively.

Note, pensioners and other non participants are not included in the total labour force.

<sup>10</sup> Australian Bureau of Statistics, Census of Population and Housing 2016. Compiled and presented in profile.id by .id.

<sup>11</sup> Ibid.

## Workforce industries and regions

Table 9 Industry workforce analysis<sup>12</sup>

Industry sector - employed FTE (2016)	Tenterfield	Liston-Urbenville-Rural North	Drake-Rural South	LGA
Agriculture, Forestry and Fishing	11.5	40.6	48.5	23.2
Mining	1.8	1.0	--	1.4
Manufacturing	3.7	2.2	3.0	3.2
Electricity, Gas, Water and Waste Services	1.1	--	--	0.6
Construction	9.2	5.9	6.3	7.8
Wholesale trade	1.4	0.7	0.1	1.3
Retail Trade	11.9	4.1	7.6	9.6
Accommodation and Food Services	8.5	5.9	3.0	6.9
Transport, Postal and Warehousing	4.3	5.8	3.6	4.3
Information Media and Telecommunications	0.6	--	--	0.5
Financial and Insurance Services	1.1	1.1	0.1	0.9
Rental, Hiring and Real Estate Services	1.5	2.3	0.1	1.3
Professional, Scientific and Technical Services	4.0	1.6	4.1	3.5
Administrative and Support Services	2.3	0.7	--	1.8
Public Administration and Safety	7.4	1.4	6.2	6.0
Education and Training	8.1	8.8	6.0	7.8
Health Care and Social Assistance	13.5	8.8	6.3	11.8
Arts and Recreation Services	1.0	1.0	--	1.0
Other Services	3.2	3.5	0.1	2.8
Inadequately described or not stated	4.1	4.7	5.1	4.4
<b>Total employed persons aged 15+</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The largest employer within the LGA is the agriculture forestry and fishing industry, at 23%. This varies when compared with the Northern Inland region of NSW, where the proportion of population employed in this industry is 15%<sup>13</sup>. The proportion of people employed by this industry in the LGA is, as expected far greater in the Liston-Urbenville-Rural North and the Drake-Rural South areas. Within Tenterfield the proportion is much lower at 12%. Other significant industries within the Tenterfield area are Health Care and Social Assistance (14%) and Retail Trade (12%).

It is noted that 77% of Tenterfield Shire's residents work within the LGA, with the remaining workers travelling outside the LGA to work (mainly to Southern Downs and Kyogle).

<sup>12</sup> Ibid.

<sup>13</sup> Regional Development Australia Northern Inland NSW Remplan Economy



## Core assistance

Table 10 highlights the areas within the LGA that have higher concentrations of people who need assistance in their day-to-day lives with self-care, body movements or communication, often because of a disability, long-term health condition or old age.

**Table 10 Number of people requiring core assistance<sup>14</sup>**

Residents requiring assistance (2021)	Number	Percent %
Tenterfield	338	8.1
Liston-Urbenville-Rural North	98	8.1
Drake-Rural South	117	8.1
Tenterfield Shire	553	8.1
Regional NSW	193,513	6.8
New South Wales	464,712	5.8

At the LGA level 8.1% of people require assistance with core activities, compared to the Regional NSW average of 6.8%. This is consistent across the LGA, even though the Tenterfield area does have a higher proportion of its population aged 70 plus (25%).

## Pensioners

A distinction is made between retirees and eligible pensioners. To be classified as a pensioner for the purposes of receiving rate rebates, ratepayers must be receiving Centrelink payments such as the age pension or have partial capacity to work, such as having a disability, being a carer or being a low-income parent. These individuals have reduced income streams and can be vulnerable to financial shocks and price rises.

**Table 11 Number of eligible pensioner assessments**

Number of pensioner properties	Total assessments	Pensioner assessments	Pensioner assessments %
Tenterfield	2,384	616	26%
Liston-Urbenville-Rural North	942	133	14%
Drake-Rural South	1,542	225	15%
<b>LGA</b>	<b>4,868</b>	<b>974</b>	<b>20%</b>

As expected, given the high proportion of retirees (with 44% of residents aged 60 and over), the area of Tenterfield has the largest proportion of its population (26%) and the highest absolute number of eligible pensioners (616 assessments). Drake-Rural South and Liston-Urbenville-Rural North have much lower proportions of their population being eligible pensioners, indicating less disadvantage. It is noted that eligible pensioners (those receiving Centrelink payments) within the LGA have access to mandatory rebates (up to a maximum of \$250 per year) on their rates. Council also has rates hardship policies in place.

<sup>14</sup> Australian Bureau of Statistics, Census of Population and Housing 2016. Compiled and presented in profile.id by .id.

## Household mortgages

The National Centre for Social and Economic Modelling (NATSEM) defines households experiencing ‘housing stress’ as those that satisfy both of the following criteria:

- equivalised household income is within the lowest 40% of the state’s income distribution
- housing costs (i.e. mortgage and/or rent repayments) are greater than 30% of household income.

Research funded by the ACT Government on housing and homelessness issues in the ACT found that, due to financial pressures<sup>15</sup>:

- 19% of households facing housing stress compromised a lot on their grocery spend over a 12-month period
- 24% of households facing housing stress found rent/mortgage repayments quite/very difficult in the last three months.

Households facing housing stress are highly likely to be under significant financial stress and vulnerable to sudden increases in council rates.

As a substitute for housing stress data with respect to the Tenterfield Shire Council LGA we have reviewed the levels of household loan repayments. An analysis of housing loan repayment quartiles in conjunction with equivalised income quartiles can indicate potential stress.

The data has been presented in ranges for the following monthly mortgage repayment levels:

- Lowest: \$0 - \$1,263 – this range is representative of the bottom 25% of all monthly mortgage repayments in NSW.
- Medium lowest: \$1,264 - \$1,989 – this range is representative of the bottom 25% - 50% of all monthly mortgage repayments in NSW.
- Medium highest: \$1,990 - \$2,865 – this range is representative of the top 25% - 50% of all monthly mortgage repayments in NSW.
- Highest: \$2,866 and over – this range is representative of the top 25% of all monthly mortgage repayments in NSW.

**Table 12 Housing loan repayment quartiles<sup>16</sup>**

Loan repayment quartile group (2016)	Tenterfield	Liston-Urbenville-Rural North	Drake-Rural South	LGA
Lowest	51.9	72.7	69.2	60.2
Lower middle	26.8	13.6	17.5	23.1
Upper middle	15.7	6.0	7.8	11.6
Highest	5.6	7.7	5.5	5.1
<b>Total households with stated mortgage repayments</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>15</sup> Housing and Homelessness Policy Consortium (ACT Shelter, ACTCOSS, Women’s Centre for Health Matters, Youth Coalition of Act), 2016. *Snapshot: Housing stress and its effects*.

<sup>16</sup> Australian Bureau of Statistics, Census of Population and Housing 2016. Compiled and presented in profile.id by .id.

Overall, 83% of housing loan repayments within the LGA are within the lowest two monthly loan repayment quartiles, well above Regional NSW (67%). Tenterfield Shire LGA has 77% of its residents in the bottom two quartiles of equivalised income, which is above the Regional NSW (60%) levels from the 2016 Census data.

Drilling down, we observe that Tenterfield area had the highest proportion at 21% of housing loan repayments in the highest two monthly loan repayment quartiles – this equated to 74 households. Comparing to equivalised income, this area had the second highest proportion of households in the highest two quartiles (24%), however there was still a significant proportion (76%) in the bottom two equivalised income quartiles. Therefore it is considered probable that there will be some mortgage stress.

Liston-Urbenville-Rural North had 86% of households within the bottom two monthly loan repayment quartiles, greater than the Regional NSW average (68%). This meant only 14 households had monthly loan repayments in the top two quartiles. This area had the highest proportion of households in the highest two equivalised income quartiles (26%). Therefore there is less likely to be significant mortgage stress.

The Drake-Rural South area had 87% of households within the bottom two monthly loan repayment quartiles, greater Regional NSW average (68%). This meant only 14 households had monthly loan repayments in the top two quartiles. Therefore there is unlikely to be significant mortgage stress.

## Trends in cost of living

Table 13 Five-year comparison of cost of living in Regional NSW<sup>17</sup>

Regional NSW	2020/21		2015/16	
	\$ per household	% of expenditure	\$ per household	% of expenditure
Household expenditure (totals)				
Food	9,754	10%	10,099	9%
Alcoholic beverages and tobacco	4,307	4%	5,305	5%
Clothing and footwear	4,165	4%	3,929	4%
Furnishings and equipment	4,926	5%	4,801	5%
Health	6,474	7%	6,206	6%
Transport	8,427	9%	11,286	11%
Communications	2,025	2%	1,793	2%
Recreation and culture	10,815	11%	12,013	11%
Education	5,233	5%	5,385	5%
Hotels, cafes and restaurants	6,128	6%	8,817	8%
Miscellaneous goods and services	13,876	14%	16,102	15%
Housing	19,140	19%	18,373	17%
Utilities	3,276	3%	3,693	3%
Total expenditure	98,546	100%	107,803	100%
Net savings	26,724	21%	15,254	12%
Total disposable income	125,270	0%	123,057	0%
Non discretionary	53,261	54%	55,379	51%
Discretionary	45,285	46%	52,423	49%

\*Non-discretionary spending includes the following categories: food, clothing and footwear, health, transport, communications, housing and utilities.

<sup>17</sup> National Institute of Economic and Industry Research (NIEIR), 2021. Compiled and presented in economy.id by. Data based on 2016-17 price base for all years. NIEIR-ID data are inflation adjusted each year to allow direct comparison, and annual data releases adjust previous years' figures to a new base year.

The cost of living can best be described as the cost of maintaining a certain standard of living. Identifying trends in future costs, particularly with regards to discretionary and non-discretionary income.

We were unable to access cost of living data with respect to the Tenterfield Shire LGA. Therefore we analysed data for Regional NSW as a whole, the adjacent Northern Rivers region, as well data for a number of LGA's within the Northern Inland region – such as Armidale, Tamworth, and Gunnedah. This allows us to infer some general conclusions as to cost of living trends over the five year period between 2015/16 through to 2020/21.

The cost of living trends for this period for Regional NSW is presented in Table 13. This shows that over this five year period net savings have relatively increased, now representing 21% of total disposable income. Also, over this period there has been an overall increase in the proportion of non discretionary expenditure to now represent 54% of total expenditure. This is driven by increased housing costs, which now represent 19% of household expenditure. There has been a drop in discretionary expenditure, particularly in hotels, cafes and restaurants.

Analysis of data from other LGA's within the Northern Inland area support these trends, with Net Savings increasing to represent 21% of total disposable income. Likewise, the Northern Rivers region saw an increase in net savings (to 23% of disposable income) over the same five year period. These areas all saw similar trends in non discretionary / discretionary expenditure, particularly housing and hotels, cafes and restaurants. The increases in net savings indicate an improved capacity to pay within the community.

## Property prices and other indicators

The Median house property prices within the Tenterfield LGA has increased by 33% over the 12 months ending 30 September 2022. This period saw 109 houses sold for a median price of \$391,000. The 5 year median price trend is significant, with the median price in October 2017 being \$239,000 (based on 109 sales)<sup>18</sup>. This growth represents a significant increase in household wealth.

## Discussion

The LGA overall is in the 11th percentile in terms of socio-economic disadvantage (IRSD) and 12th percentile when considering both disadvantage and advantage (IRSAD). This compares unfavourably to Regional NSW (29th and 32nd percentiles) but closer in line to the Northern Inland region (20th percentile for IRSD).

The SEIFA rankings show that the disadvantage is relatively consistent throughout the LGA. We observe the lowest levels of disadvantage is within the rural areas to the north and south. (both within the 9th percentile IRSD, compared with Tenterfield (13th Percentile).

The inclusion of factors indicating advantage as well as disadvantage (IRSAD) results in slightly higher rankings in the rural areas, but a slightly lower ranking Tenterfield.

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<sup>18</sup> Tenterfield Property Market, House Prices, Investment Data & Suburb Profiles - realestate.com.au

Key aspects of the Tenterfield area, which had a SEIFA IRSAD ranking of 12<sup>th</sup> percentile:

- the area had the highest employment level (93%), and lowest unemployment rate (7%)
- the area had the second largest proportion within the highest equivalised income quartile (9%), and the second smallest proportion in the lowest equivalised income quartile (47%).

Key aspects of the Liston-Urbenville-Rural North area, which had a SEIFA IRSAD ranking of 11<sup>th</sup> percentile:

- the area had the highest unemployment rate at 10%, noting that only 6% of the population is looking for full-time work
- the area had the largest proportion within the highest equivalised income quartile (10%).

Key aspects of the Drake-Rural South, which had a SEIFA IRSAD ranking of 12<sup>th</sup> percentile:

- the area had the highest proportion of fully owned homes (52%).
- the area had the largest proportion within the lowest equivalised income quartile (56%).

It is important to note, that there is a disparity between the most advantaged and disadvantaged areas within Council's LGA. With respect to IRSAD rankings (i.e. both disadvantage and advantage), the regions of Tenterfield Shire Council LGA sit within the 12% most disadvantaged areas of Australia. With respect to IRSD (i.e. only disadvantage), the LGA sits within this 11% level of disadvantage. This means that these areas do not have pockets of advantage to offset the levels of disadvantage.

As was observed from the review of SEIFA rankings within Council, the ABS identified the following factors as having the greatest impact on an area's SEIFA score:

- level of income
- type of employment
- vulnerable households.

These factors align closely with our common characteristics of disadvantaged/advantaged households:

- equivalised household income
- proportion of disadvantaged (lone individual/one parent) households
- proportion of vulnerable households (housing stress/unemployment/require core assistance).

## Proposed special rate variation impacts

Analysis of the special rate variation impacts has been prepared based upon a combination of Council rates book data, which uses 2019 land valuations by the NSW Valuer General. The NSW Valuer General is expected to release updated land valuations before the end of 2022, which may have an impact upon the distribution of rates across Tenterfield Shire. Council may reassess the impact on ratepayers once new land valuations have been received.

**Table 14 Estimated 2023/24 average rates by category<sup>19</sup>**

LGA 2023/24 est.	Est. Average Residential 2023/24	Est. Average Farmland 2023/24	Est. Average Business 2023/24	Est. Average Mining 2023/24
Glen Innes Severn	939	3,312	1,847	0
Gwydir	810	5,969	1,765	0
Kyogle	1,220	2,055	1,490	0
Oberon	1,025	2,082	1,144	0
Upper Lachlan	604	1,986	1,154	2,124
Uralla	755	4,103	704	0
Tenterfield Shire (4.2% 2023/24 IPART rate peg increase)	771	1,673	911	1,059
Tenterfield Shire (43% SRV year 1, including rate peg of 4.2%)	1,057	2,310	1,250	1,452
Year 1 SRV increase	286	637	339	393

**Table 15 Estimated 2024/25 average rates by category<sup>20</sup>**

LGA 2024/25 est.	Est. Average Residential 2024/25	Est. Average Farmland 2024/25	Est. Average Business 2024/25	Est. Average Mining 2024/25
Glen Innes Severn	962	3,394	1,893	0
Gwydir	830	6,118	1,809	0
Kyogle	1,250	2,106	1,527	0
Oberon	1,050	2,134	1,172	0
Upper Lachlan	619	2,036	1,183	2,177
Uralla	774	4,206	722	0
Tenterfield Shire (2.5% 2024/25 increase)	790	1,715	934	1,085
Tenterfield Shire (43% SRV year 2, including rate peg of 2.5%)	1,512	3,300	1,790	2,077
Total SRV increase (including impact of year 1)	722	1,585	826	992

Table 14 above outlines estimated average rates by rating category for the 2023/24 financial year for a selection of comparable group 10 large rural NSW councils. Should Council continue the current rates path, Tenterfield Shire average residential rates would rank as the third lowest within this grouping. In this grouping, Kyogle has the highest estimated 2023/24 average residential rates, at \$1,220 per property, well above Tenterfield Shire's estimated (normal rate increases only, no SRV) estimated 2024/25 average residential rates of \$790. Kyogle has similar socio-economic scores and reasonable levels of outstanding rates, so it is a good comparison. Should Council be successful in implementing the first year of its SRV, then average residential rates are estimated to be \$1,057 per property in, placing them at second highest within this grouping of seven councils. Table 15 then extends this into the second year of the proposed SRV. Should Council be successful with its SRV, it is estimated that average residential rates will be highest amongst this group of councils. This would be an increase of \$722 over where average rates would be under normal rates increases. These increases equate to an average of \$5.48 per week in year one, and a further \$8.36 per week in year two.

<sup>19</sup> OLG Time Series Data, average rates projections using IPART rate peg and Tenterfield Shire prepared estimates

<sup>20</sup> Ibid.

With only normal rate increases as approved by IPART, in 2023/24 Tenterfield Shire is estimated to levy the lowest average Farmland rate per property compared with comparable LGA's as identified in Table 14. After the implementation of year one of the SRV, this would move Tenterfield Shire up to the fourth highest in this grouping. In year two of the proposed SRV (2024/25), Table 15 shows estimated average farmland rates which would still rank as fourth highest within this grouping of councils. Compared to where rates would be under normal increases, average farmland rates are estimated to increase by \$12.22 per week in year one, and a further \$18.18 per week in year two. It is observed that those councils with higher rates all have higher levels of output per farmland assessments compared to Tenterfield (refer Appendix A).

Considering normal rate increases, average Business rates in 2023/24 are estimated to rank sixth compared with comparable LGA's as identified in Table 14. After implementation of year one of the SRV, Tenterfield Shire moved to fourth highest in this grouping, In year two of the SRV, Table 15 demonstrates that Tenterfield Shire's estimated business rates will rank third highest amongst this grouping. Compared to where rates would be under normal increases, average business rates are estimated to increase by \$6.50 per week in year one, and a further \$9.92 per week in year two.

Average mining rates are lowest within this grouping. The proposed SRV increases would still mean that mining rates remain at the lowest level within this grouping.

These rates increases should be read in conjunction with the proposed increases to annual charges. Tenterfield Shire proposes to increase annual charges (for water, sewer and waste) by \$183 in 2023/24, and a further \$162 in 2024/25. This equates to a weekly increase of \$3.51 in the 2023/24 financial year, and a further \$3.12 per week in the 2024/25 financial year. A summary of these increases are provided in Appendix B.

Table 16 Estimated 2023/24 and 2024/25 average residential rates by category for all group 10 councils <sup>21</sup>

ALL GROUP 10 LARGE RURAL (ACTUAL FY21) Tenterfield SRV 43% (year 1 only)	2023/24 estimated average residential rates	2023/24 estimated Ranking (residential)	2024/25 estimated average residential rates	2024/25 estimated Ranking (residential)
Berrigan	815	12	836	12
Bland	1,420	3	1,455	4
Blayney	1,350	4	1,384	5
Cobar	1,540	2	1,578	2
Dungog	1,589	1	1,748	1
Edward River	1,090	6	1,118	7
Forbes	945	9	969	9
Glen Innes Severn	939	10	962	10
Gwydir	810	14	830	14
Juneec	870	11	892	11
Kyogle	1,220	5	1,250	6
Lachlan	660	20	676	20
Liverpool Plains	807	15	828	15
Narrandera	732	17	750	17
Narromine	725	18	743	18
Oberon	1,025	8	1,050	8
Temora	691	19	708	19
<b>Tenterfield Shire with SRV</b>	<b>1,057</b>	<b>7</b>	<b>1,512</b>	<b>3</b>
Upper Lachlan	604	21	619	21
Uralla	755	16	774	16
Walgett	423	22	434	22
Wentworth	814	13	834	13

Should Council be successful in implementing the first year of its SRV, then average residential rates are estimated to increase such that Tenterfield Shire is ranked seventh highest compared to other group 10 (large rural) NSW councils. In 2024/25, assuming the second year of the SRV, we estimate that Tenterfield Shire would rank third highest in terms of average residential rates (assuming none of these other group 10 councils has an SRV).

It is noted that Tenterfield Shire has a small subcategory of “urban” residential properties that inflate the average rates within the above rankings. With the proposed SRV, estimated average residential rates (excluding urban subcategory) in 2023/24 will be \$872, compared to \$637 with normal rates increases. In 2024/25 it will increase to \$1,247, compared to \$653 with normal rates increases. With normal rate increases (no SRV), in 2024/25 Tenterfield Shire’s estimated average residential rate (excluding the urban subcategory) would rank in the bottom 4 of the group 10 large rural councils.

<sup>21</sup> Ibid.



**Table 17 Rates as a percentage of operating expenses <sup>22</sup>**

Rates vs Operating expenses 2020-21 Actual	Total Operating Expenses Actual 2020-21 (\$)	Total Rates Revenue 2020-21 Actual (\$)	Rates as % of operating expenses	Rank
Glen Innes Severn	36,406,000	7,160,000	19.7	5
Gwydir	33,283,000	8,235,000	24.7	2
Kyogle	29,412,000	7,355,000	25.0	1
Oberon	19,476,000	4,696,000	24.1	3
Upper Lachlan	33,832,000	7,372,000	21.8	4
Uralla	23,357,000	4,015,000	17.2	6
Tenterfield Shire	29,475,000	4,718,000	16.0	7

Table 17 above shows actual rates revenue as a percentage of total council operating expenditure for the 2020-21 financial year, for selected comparable LGA's. It is observed that within this grouping, Tenterfield Shire's ratio of 16% is the lowest level of rates revenue as a percentage of total operating expenditure. This is a strong indication that Council's rates are below the level required to service the community.

**Table 18 Outstanding rates (2021)<sup>23</sup>**

LGA – Group 10 (large rural) councils only	NSW Rank	2021 Outstanding
Blayney Shire Council	1	1.5
Upper Lachlan Shire Council	6	2.4
Temora Shire Council	12	3.3
Berrigan Shire Council	22	4.1
Tenterfield Shire Council	29	4.4
Gwydir Shire Council	38	4.7
Glen Innes Severn Council	49	5.2
Bland Shire Council	61	5.8
Dungog Shire Council	69	6.2
Kyogle Council	77	6.7
Edward River Council	79	7.0
Forbes Shire Council	81	7.2
Oberon Council	88	7.6
Narromine Shire Council	89	7.9
Lachlan Shire Council	100	8.9
Uralla Shire Council	101	9.0
Narrandera Shire Council	103	9.3
Wentworth Shire Council	106	9.7
Junee Shire Council	107	9.8
Cobar Shire Council	108	9.8
Liverpool Plains Shire Council	110	10.0
Walgett Shire Council	116	11.4

Table 18 above shows that Tenterfield Shire has very low outstanding rates. This is a strong indicator of willingness and capacity to pay, especially given that the benchmark for outstanding rates is less than 10% for regional and rural areas.

<sup>22</sup> OLG Time Series Data 2020-21

<sup>23</sup> Ibid.

## Conclusion

Tenterfield Shire LGA has some of the lowest rates amongst NSW group 10 large rural councils. When comparing to six similar councils, Tenterfield Shire sits towards the bottom. Additionally, when analysing against these six similar councils, total rates revenue as a percentage of total operating expenditure, for the LGA is only 16%, well below most comparable councils.

During our review, we also noted that Tenterfield Shire has a relatively low proportion of outstanding rates at 4.4% (2021), ranking 5th best amongst all group 10 large rural councils. In 2022, this dropped further to 4.0%, a strong indicator of both capacity and willingness to pay rates especially given that the benchmark for outstanding rates is less than 10% for regional and rural areas.

However, it was observed that the LGA experiences significant levels of disadvantage. This is demonstrated most clearly through indicators such as equivalised household income (77% of the LGA within the lowest two quartiles) and SEIFA indexes, which rank the LGA in the 11th (IRSD) and 12th (IRSAD) percentiles when measuring socio-economic disadvantage and advantage. Countering this is the high proportion of fully owned homes (50%) relative to NSW regional averages, and relatively low values when it comes to monthly mortgage repayments.

Overall, it is estimated that average residential rates will increase by \$5 per week over what they would under normal rate increases in 2023/24. There will be a further average rise of \$8 per week in 2024/25 compared to the normal rate increases.

Farmland rates are estimated to increase by an average of \$12 in the first SRV year, and a further \$18 per week in the second year. Business rates are estimated to increase by an average of \$7 per week in the first SRV year, with the second year expected to see a further average increase of a further \$10 per week.

Further, Council proposes increases to annual charges (\$4 in the 2023/24 financial year, and a further \$3 per week in the 2024/25 financial year).

Council should ensure that it acknowledges disadvantage within the community when bringing rates revenue up to levels similar to other group 10 large rural councils, and to the level required to service the community. This would include ensuring that the SRV increases are supported by an appropriate hardship policy.

## Appendix A Economic output – agriculture, forestry and fishing

Northern Inland LGA's Regional Output - Agriculture, Forestry and Fishing	\$000s	Number of farmland assessments	Output per farmland assessment \$000s	Rank per assessment
Armidale Regional	497,410	1,478	336.542	2
Glen Innes Severn	231,424	1,017	227.555	9
Gunnedah	289,842	1,139	254.470	6
Gwydir	315,261	1,157	272.482	5
Inverell	293,187	1,503	195.068	11
Liverpool Plains	282,549	1,009	280.029	4
Moree Plains	545,336	1,412	386.216	1
Narrabri	395,545	1,648	240.015	8
Tamworth Regional	660,736	3,032	217.921	10
Tenterfield	213,003	1,435	148.434	12
Uralla	147,318	601	245.122	7
Walcha	231,507	743	311.584	3

Source: Regional Development Australia Northern Inland NSW Remplan Economy

Agriculture, forestry and fishing industries make up the largest proportion of economic output for the LGA's sales at \$213m for 2020-21, with 69% of this being exports. Therefore this sector is critical to the economy of the LGA. It is observed that analysing against other Northern Inland LGA's, Tenterfield Shire has the lowest output per farmland assessment. It is observed that Glenn Innes, Gwydir and Uralla are all estimated to have higher average farmland rates compared to Tenterfield Shire, even after SRV implementation.

## Appendix B Proposed increases to annual charges (water, sewer and waste)

Council is proposing to also increase annual charges as per the following table.

Proposed annual charges	Annual		Change Per week	
	2023/24	2024/25	2023/24	2024/25
Water charge	711	782		
Water charge increase	93	71	1.78	1.36
Sewer	1,386	1,455		
Sewer increase	66	69	1.27	1.32
Waste	312	334		
Waste increase	24	22	0.45	0.42
Total increase in charges	183	162	3.50	3.11

The total increase proposed to annual charges reflects the increasing cost of provisioning these services. It is estimated that the average increase to these will be \$3.50 per week in 2023/24, and a further \$3.11 per week in 2024/25, meaning a cumulative increase of \$6.61 per week during the same period of Council's proposed SRV.